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MONTHLY PROJECTIONS
FOR SEPTEMBER

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WEATHER AND AGRICULTURE DISTORT GNP PERFORMANCE

Because of declines in agricultural production, the growth of GNP was reduced by 0.5 percentage points in the third quarter and 0.6 percentage points in the fourth quarter. A return to higher agricultural production probably will add a full percentage point to GNP growth during the first quarter of 1984.

Winter weather also has altered the timing of changes in GNP. The loss of a vegetable crop, a 23% reduction in citrus production in Florida, and a dramatic but temporary, decline in egg production related to the cold has had some modest effects upon agricultural production, but some more dramatic impact upon prices. Weather-related price changes probably will add a percentage point to grocery prices in 1984 and about 0.2 percentage points to total inflation. In addition, sharp increases in fuel oil prices will create a near-term acceleration in consumer prices. The wholesale price of fuel oil has increased by nearly 25% in the last six weeks. However, this price change is expected to be temporary, as the spot price of crude petroleum has barely increased during this cold weather. For that reason, most of the increase in fuel oil prices probably will be reversed when warmer weather arrives in the spring. Nevertheless, petroleum prices probably will not decline in the spring, which previously appeared likely. In addition, some damage to oil refineries on the Gulf Coast diminished the supply of gasoline. Although some further weakness still is likely in retail gasoline prices, the degree of decline from current levels is not expected to be significant. Moreover, prices for petroleum products probably will rise this fall. When all these effects are factored in, the cold weather probably added 0.4 percentage points to inflation in 1984, although most of this impact will be apparent during the winter months.

Equally important is the dramatic increase in utility consumption. Consumers paid $1.7 billion more for utilities in December than if the weather was normal. This accounted for the bulk of the $19.1 billion increase in service expenditures during December. A continuation of the cold weather will maintain strong gains in service expenditures during January. Then, an expected return to more seasonal weather in February should cause little growth in that component. In effect, some service expenditures were transferred from the spring to the fourth quarter because of the weather. However, the weather may

also have sharply reduced grocery sales in December. Indeed, total grocery expenditures fell by 1.5% despite a 0.5% increase in grocery prices. This drop in volume probably occurred late in the month as especially severe weather caused many consumers to exhaust their "pantry inventories" rather than maintain their normal grocery shopping schedules. A rebound in sales should be expected in January and February to replace these depleted home inventories. Inclement weather also caused production delays, estimated at 0.3% of industrial production in December. Indeed, most of the weakness reported for December appears to be weather-related rather than behaviorally oriented. Therefore, rebounds in those sectors should develop when the weather improves.

At the present time, no serious initiatives are expected to limit the government deficit. Although the administration is estimating a deficit of $179 billion, a record N-I-A deficit of more than $193 billion suggests that the administration's estimates could be $10 billion too low. Certainly, there is little evidence that strong economic recovery is generating receipts more rapidly than the growth of government expenditures. In fact, taxable corporate profits during the fourth quarter declined, although the source of this weakness appears to be moderation in industrial prices leading to more favorable inventory evaluation adjustments than in previous months. Stronger growth in taxable corporate profits clearly is anticipated in 1984, but continued weakness in petroleum prices should cause excise taxes to experience little growth.

The monthly analysis clearly shows that productivity experienced little change in the fourth quarter. This is not unusual at this stage in the cycle. More than normal productivity gains usually are achievable early in a recovery as under-utilized personnel finally can be used effectively. In addition, most of the employment recalls are for production workers who lead directly to increased output, while headquarters staffs require little adjustment. Once the first wave of recalls is completed, however, headquarters expansion commences. This apparently happened during the fourth quarter. Usually, the slow-down in productivity gains persists for only one or two quarters before a more balanced employment mix reveals the more sustainable underlying productivity gains, which we currently believe to be approximately 1.5% per year.

Quarterly Profile of GNP

	1983-IV	1984-I	1984-II	1984-III	1984-IV
Real	4.5	5.5	4.5	3.8	3.0
Price	3.9	5.7	5.2	5.8	5.6
Nominal	8.6	11.0	10.0	9.8	8.8

Monthly Statistical Highlights for January 1984

Payroll employment, +166,000; Index of hours worked, +0.2%; Household employment, +182,000; Civilian unemployment rate, 8.2%; Personal income, +0.6%; Savings rate, 4.4%; Personal consumption, +1.0%; Retail sales, +0.9%; Auto sales, 10.5 million; Housing starts, +4.2%; Housing permits, -3.5%; Construction expenditures, +0.8%; Business inventories, +0.7%; Orders for durable goods, +1.2%; Orders for nondefense capital goods, +1.1%; Industrial production, +0.7%; CPI, +0.6%; PPI, +0.1%; Consumption deflator, +0.6%; Leading indicators, +0.6%; M1, 7.9%; M2, 7.7%.

Monthly Statistical Highlights for February 1984

Payroll employment, +132,000; Index of hours worked, +0.2%; Household employment, +145,000; Civilian unemployment rate, 8.2%; Personal income, +0.7%; Savings Rate, 4.6%; Personal Consumption, +0.5%; Retail Sales, +0.7%; Auto Sales, 10.5 million units; Housing starts, +5.2%; Housing Permits, +4.8%; Construction Expenditures, +2.4%; Business Inventories, +0.7%; Orders for durable goods, +1.6%; Orders for nondefense capital goods, +2.5%; Industrial Production, +0.3%; CPI, +0.5%; PPI, +0.6%; Consumption deflator, +0.4%; Leading Indicators, -0.2%; M1, +10.8%; M2, +10.0%.

Commentary

Employment - Payroll employment slowed to a gain of 231,000 in December, although the absence of significant gains in retail trade employment should not persist very long. Employment of production workers in manufacturing began to grow more slowly than total manufacturing employment. This addition to overhead probably accounts for much of the slowing in productivity gains late in the year. Initial unemployment claims continue to show an irregular downward pattern, suggesting that payroll employment is continuing to grow substantially. However, two consecutive months of adverse weather conditions are expected to reduce construction workers. Therefore, some slowing in payroll employment is expected early in 1984.

The unemployment rate has fallen much more sharply than expected. In the first twelve months of recovery, the labor force increased at a monthly rate of slightly more than 100,000, more than 50,000 per month below anticipations. This reduced labor force growth led to a 0.5 percentage point decline in the unemployment rate. To be sure, the teenage population is declining sharply. However, teenage participation rates also are not rising. About half the slowing in the teenage labor force appears to be the result of unusual participation rates. Female participation rates also are lower than anticipated. Apparently, the surge in females seeking work is beginning to subside. A more orderly advance in the female participation rate, perhaps as small as 0.2 percentage points per year, now may be developing. These adjustments to participation rates have been incorporated in our forecasting procedures.

The Hourly Earnings Index began accelerating in December, although the increase from previous year levels remains at a relatively low 3.7%. During the latest three months, the Hourly Earnings Index accelerated slightly to a 4.4% annual rate. Wage concessions appear to be diminishing, but the well-behaved

performance of the CPI has continued to restrain wage gains in manufacturing and transportation. As the CPI begins to accelerate in 1984, the Hourly Earnings Index also is expected to rebound.

Personal Income and Outlays - Three special conditions are developing in personal income during January. First, the surge in farm income during the fall, which was related to PIK distributions, will not persist in the winter now that those distributions are diminishing. On the other hand, farm income tends to rise in the early winter months as animal slaughters intensify. Thus, farm production will rebound but earnings will replace government transfers in farm income. Second, federal employees received a 3.5% pay increase in January. This not only will add slightly more than $3 billion to the wage and salary component, but it also will add 0.30 percentage points to the GNP deflator. Third, the increase in the Social Security base normally is accrued as if the ultimate payment of Social Security began in January. Thus, employee contributions to Social Security will be rising by approximately $3 billion. Of course, this will be more than offset by the 3.5% increase in Social Security payments to those receiving retirement benefits. In prior Januarys, the Social Security tax was increased, but there was no offset in the form of increased transfer payments. Thus, personal income in January appeared to be depressed. This January, however, personal income is being enhanced by the combined effect of these events.

The strong growth in outlays during December was largely the result of sharp increases in utility payments. Those increased utility payments will be maintained in January. When the weather reverses, expected in February, service expenditures should show little growth. Typically, this involuntary consumption leads to reduced savings when it occurs followed by enhanced savings in the subsequent quarter. Our projections do not fully show this, although it is possible that second quarter estimates of auto sales are overstated.

Retail Sales - Although the report on consumer outlays for December confirmed a sharp drop in nondurable sales, it strongly indicated that estimates of outlays for durable goods in December were inappropriate in the retail sales report for that month. Using normal ratios for converting retail activity to consumer outlays, the retail sales for December may need to be revised upward by 0.7 percentage points. Furthermore, the reduction in grocery store sales probably was related to diminished grocery store visits due to inclement conditions. People certainly did not decide to reduce real purchases of food by 2 percentage points in December. Therefore, a rebound in grocery sales and in restaurant sales is expected in January and February. These combined gains should add to retail sales in those months. At the present time, there is little evidence that the consumer has turned more cautious. However, slower consumer support for the economy is anticipated in the spring as the household sector replenishes the savings that had been depleted to meet unexpectly high utility bills.

Construction - The decline in housing starts in December almost totally is related to weather conditions. Almost all the falloff occurred in single-family dwellings, which are more adversely affected by weather, and in the colder regions of the country. Basic demand for single-family dwellings has not diminished. In addition, investors continue to seek multi-family units for their tax benefits, even if vacancy rates are beginning to increase. Before the end of 1984, those rising vacancy rates should adversely impact rental rates. In turn, this reduced profitability should lead to a slowing of multi-family

activity. As mortgage rates are expected to show no significant increases until late in 1984, and should decline early in the spring, no significant slide in housing is anticipated. Housing permits seem to support this. The falloff in December appears to be nothing more than a decline in permit activity until the projects that have been stalled by the weather are further advanced. A further falloff in permits is anticipated in January for that reason, but it would be inappropriate at this time to assume that the permits are predicting significant declines in housing activity.

Most of the decline in residential construction is expected to be caused by two factors. First, unusually dry summer weather created higher levels of construction activity than could be sustained. Thus, a dip to lower sustainable levels should not be surprising. Second, the inclement weather clearly reduced the amount of resources used in construction. The fact that construction employment has not been reduced commensurately, or even at all, suggests that these disruptions are temporary rather than the beginning of a significant housing decline. The weakness in public construction is related to the inability of Congress to devise formulas for allocating highway funds. Thus, the surge in public construction expected to be generated by the five-cent gasoline excise tax has been stalled. Congress is expected to rectify the problem early in 1984, leading to significant growth in public construction latter in the year. Private nonresidential construction is expected to be pulled by two forces. First, declining construction in the utility industry, especially for nuclear facilities, is expected to create a fundamental downtrend in that sector for the remainder of this decade. Second, increasing utilization of available resources will slowly require increased warehouse, workplace, and office space needs.

Business Activity - An unexpected surge in nondefense capital goods shipments during November is largely responsible for the unsustainable surge in producers' durables in the fourth quarter. While these higher levels of nondefense shipments are expected to be maintained, the dip in orders for nondefense goods in November suggests that another rapid surge is unlikely. Indeed, orders and shipments are in reasonable balance for this stage of the business cycle. This is not true of defense shipments, which are trailing sharply behind the buildup of defense orders. More rapid shipments of defense items are expected to materialize as the year progresses.

The greatest surprise in business activity is the weak advance of business inventories. There has been virtually no increase in manufacturers inventory during the last four months, despite relatively sharp increases in manufacturing activity. Inventories were not excessive in the summer, and therefore must be deficient at the present time. Nevertheless, industry is very cautious in building up stock as they are responding to the economic reality of high real rates of interest. This has prolonged the recovery phase of inventory restocking. As a result, inventories will continue to contribute significantly to GNP during the first half of 1984.

Capacity utilization may not have the same impact upon inflation or investment in this cycle as it had in the previous two cycles. The reason for this is the difference in business cycle phases between the remainder of the world and the United States. In previous cycles, most of the world was expanding and contracting with the United States. Now, some foreign capacity can be assumed to be available for domestic use if price pressures begin to develop. Thus, capacity utilization may need to rise above 83% before any

significant signs of demand pull inflationary pressures surface. Indeed, demand-oriented inflation may not become a significant problem until utilization rises to the 86% rate.

Prices - Most prices have remained well-behaved through 1983, although prices of some consumer services began accelerating very late in the year. These increases appear to be related to increasing finance costs. Utility costs now are expected to accelerate early in 1984. Prices of consumer nondurables are expected to move especially sharply upward during the winter months. As a result, the GNP deflator should show much more substantial gains in the first quarter of 1984 than in any quarter except the first quarter of 1983. Moreover, the pay raise for government employees will add to the deflator during this quarter. More moderate price changes are anticipated during the spring, before cyclical forces begin to exert upward pressures upon prices in the summer and fall.

Miscellaneous - A sharp drop in inventory valuation during the fourth quarter is related to weakness in prices for petroleum goods. As these price weaknesses no longer are occurring in the winter, inventory valuation is expected to accelerate. This will significantly raise taxable profits, but will have an adverse effect upon operating profits less taxes.

Also, a sharp increase in vendor delays should contribute significantly to the leading indicators in December. Continuing growth in the money supply in excess of inflation will add further to the leading indicators early in 1984. However, a period of reduced growth should then be signalled by these indicators.

The surge in imports during October appears to reflect an increasing share of foreign goods in the Christmas spending spree. Icing problems along the Mississippi may lead to another surge in the trade deficit early in 1984, as exports were hindered but imports reached their port destinations. The dollar is expected to decline later in 1984, leading to some modest improvement in the trade deficit at that time. However, the only good news about the trade deficit at the present time is that it is so bad that it is difficult to conceive that it will get worse.

Financial Markets

The slow growth in money appears to have ended. As M2 and the monetary base did not share in this apparent slowing of M1, it appears more likely that seasonal factors and the October change in regulation of small certificates, which encourages a movement to M2 accounts at the expense of M1, may have been more significant than any Federal Reserve restraint. In December, the commercial paper rate finally overtook the federal funds rate, suggesting that private fund demands rather than Federal Reserve policy was initiating upward pressures upon interest rates. The deterioration in corporate profits created a temporary imbalance between corporate needs and the internal corporate generation of capital. As a result, commercial and industrial loans surged sharply. If this cash flow imbalance is temporary, as expected, then sensitive short-term interest rates once again will trade below the federal funds rate later in the winter and in the spring.

Another change in Federal Reserve techniques may cause the federal funds rate to trade higher than contained in these projections, at least early in

1984. After February 2, banks are required to post reserves on their deposits after only a 2-day delay, rather than the 2-week gap that currently exists. The effect of these contemporaneous reserves will be to reduce the ability to manage reserve needs in a smooth manner. Therefore, federal funds rates could become more volatile. In addition, banks may discover that increased reserves relative to deposits may be desirable until more predictable models can be developed to determine reserve needs. This decline in the deposit-reserve ratio is the equivalent of an increase in monetary restraint by the Federal Reserve. The total effect will be to increase the gap between federal funds and commercial paper rates and may temporarily slow money growth. However, serious seasonal distortions appear to exist in the money supply, especially in the month of February.

The involuntary consumption generated by the cold weather has prevented any interest rate relief from developing in December. Indeed, interest rates may not show any significant easing until the latter part of February, when consumers will be shifting toward rebuilding their depleted savings. Nevertheless, modest declines in interest rates are anticipated at that time. Indeed, the corporate market appears to anticipate significant interest rate easing, as Aaa rates have been leading other interest rates downward in January. Moreover, tax-exempt securities are expected to respond to the improvement in Aaa rates early in 1984, especially as the Congress remains divided in extending the use of tax-exempt securities for mortgage subsidies. the flurry of offerings in December to support mortgage subsidized financing. Until the Congress extends that use of tax-exempt instruments, tax-exempt supply now should remain relatively subdued. Indeed, the Bond Buyer should decline from .79 times the Aaa rate to about .76 times that rate by March.

Of course, the observation that interest rates probably will decline early in 1984 rests upon the assumption that corporations will regain the capacity to internally finance their investment needs early in the year. Also, the household sector temporarily will be increasing savings following the reduced savings that accompanied high utility bills. Nevertheless, this interest rate relief is expected to be temporary and should be reversed before the end of the year.

Equity Markets

Although after-tax profits fell during the fourth quarter, operating profits minus tax liabilities increased 7.5%. This probably explains why equity values were able to hold all of their 1983 gains despite an increase in long-term interest rates. In the first quarter, the quality of earnings will be deteriorating, but profits will continue to expand relative to GNP. Nevertheless, operating profits less tax liabilities probably will increase by less than 3%. Similar rates of increase are expected in the spring before a flattening trend develops late in the year. These more modest rates of gain in earnings will require supportive interest rate movements in order to create increasing equity values. These supportive interest rate movements are developing. Indeed, the stock market appears to have ignored a significant downward move in corporate rates late in January. Therefore, a significant expansion in equity values seems likely by the spring of 1984. However, the magnitude of gain in equity values is not expected to be as significant as anticipated in previous commentaries. As a result, the Dow Jones average may reach 1400 by the spring of 1984, but our formula suggests that it will average only about 1350. Declining equity values are likely in the latter part of the year.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
August 1983	89735	89748	105.2	105.3	101563	101484	9.5	9.5	155.0	155.0
September	90468	90851	107.2	107.5	101945	101876	9.3	9.2	155.9	155.9
October	90743	91087	107.5	108.1	102198	101970	9.3	8.8	156.5	156.8
November	91105	91413	107.8	108.3	102573	102606	8.8	8.4	157.4	156.8
December	91392	91644	108.0	108.7	102777	102941	8.4	8.2	158.4	157.6
January 1984	91556	91810*	108.2	108.9*	103017	103123*	8.5	8.2*	159.0	158.3*
February	91688	91942	108.4	109.1	103192	103268	8.5	8.2	159.6	159.0
March	91821	92096	108.7	109.4	103355	103445	8.4	8.1	160.1	159.7
April	92037	92283	108.9	109.6	103599	103660	8.4	8.0	160.6	160.4
May	92245	92437	109.1	109.8	103930	103858	8.3	7.9	161.1	161.0
June	92461	92615	109.2	109.9	104078	104114	8.3	7.7	161.7	161.6
July	92573	92783	109.4	110.1	104217	104320	8.2	7.7	162.2	162.2
August	92652	92946	109.5	110.3	104385	104447	8.1	7.7	162.7	162.8
September	92730	93111	109.7	110.6	104514	104657	8.0	7.6	163.3	163.5
October	93007	93264	110.0	110.8	104861	104885	7.9	7.5	164.0	164.2
November	93302	93448	110.3	111.0	105006	105091	7.9	7.4	164.7	165.0

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
August 1983	2.756	2.756	1.681	1.681	117.3	117.5	2.356	2.356	2.238	2.239
September	2.781	2.782	1.690	1.692	106.5	118.2	2.378	2.378	2.272	2.260
October	2.809	2.813	1.709	1.711	109.6	126.9	2.403	2.405	2.293	2.278
November	2.833	2.833	1.720	1.715	122.3	126.4	2.423	2.423	2.301	2.296
December	2.867	2.857	1.740	1.725	132.9	117.5	2.448	2.443	2.315	2.326
January 1984	2.881	2.873*	1.748	1.736*	126.1	108.3*	2.461	2.457*	2.335	2.349*
February	2.901	2.892	1.756	1.747	128.2	114.2	2.481	2.474	2.353	2.360
March	2.920	2.912	1.765	1.759	130.3	118.4	2.502	2.493	2.372	2.375
April	2.941	2.930	1.778	1.770	128.8	115.8	2.517	2.508	2.388	2.392
May	2.963	2.952	1.790	1.780	129.2	119.5	2.532	2.526	2.403	2.407
June	2.985	2.969	1.803	1.788	129.3	114.3	2.548	2.538	2.419	2.424
July	3.002	2.993	1.814	1.798	122.8	111.1	2.562	2.558	2.439	2.447
August	3.018	3.010	1.823	1.808	118.3	105.3	2.575	2.570	2.457	2.465
September	3.034	3.031	1.833	1.821	112.0	103.3	2.587	2.586	2.474	2.482
October	3.065	3.055	1.850	1.836	116.3	104.2	2.613	2.605	2.497	2.501
November	3.090	3.074	1.865	1.848	121.7	100.3	2.633	2.619	2.511	2.519

Fore. = November Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
August 1983	2174.2	2173.8	277.7	278.2	816.8	813.1	1079.7	1082.5	1012.9	1012.4
September	2207.5	2194.7	287.8	283.2	825.5	817.4	1094.1	1094.2	1025.5	1017.5
October	2228.7	2211.8	296.5	288.2	830.7	825.7	1101.5	1097.8	1032.2	1024.3
November	2234.1	2229.4	298.1	291.8	833.1	828.1	1102.9	1109.5	1033.1	1031.4
December	2251.5	2258.0	299.4	305.6	843.6	823.8	1108.5	1128.6	1034.4	1040.9
January 1984	2270.5	2280.2*	306.3	307.3*	847.5	834.8*	1116.7	1138.1*	1040.2	1045.7
February	2287.6	2290.7	308.9	309.4	851.5	840.7	1127.2	1140.6	1045.0	1046.0
March	2305.4	2304.9	311.5	312.1	855.8	845.3	1138.1	1147.5	1049.7	1047.7
April	2319.4	2321.8	313.2	314.2	861.0	850.8	1145.2	1156.8	1053.2	1051.2
May	2336.2	2335.5	316.4	314.9	868.1	857.2	1151.7	1163.4	1055.0	1053.3
June	2352.3	2352.1	319.2	317.3	875.8	864.7	1157.3	1170.1	1056.9	1056.8
July	2371.0	2374.6	323.3	321.7	880.8	872.9	1166.9	1180.0	1059.9	1062.9
August	2388.6	2391.8	325.4	322.2	886.7	881.0	1176.5	1188.6	1064.5	1066.6
September	2406.2	2409.3	327.5	324.0	892.5	887.6	1186.2	1197.7	1069.2	1070.3
October	2424.2	2426.8	330.5	326.7	898.3	894.7	1195.4	1205.4	1071.3	1074.1
November	2441.1	2444.1	333.2	327.7	905.4	902.1	1202.5	1214.3	1074.1	1077.6

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
August 1983	97.76	97.80	13.37	13.33	8.9	8.9	67.16	66.91	17.43	17.5
September	99.43	99.20	13.47	13.47	9.1	9.2	67.80	67.08	18.21	18.6
October	100.87	100.84	13.53	13.72	9.6	9.8	68.23	67.75	19.11	19.3
November	101.34	101.98	13.50	13.82	9.8	9.5	68.43	67.87	19.41	20.2
December	102.44	102.06	13.44	13.79	10.0	10.5	69.29	67.41	19.71	20.8
January 1984	103.42	103.00*	13.61	13.86*	10.3	10.5*	69.61	68.15*	20.20	20.9
February	104.10	103.72	13.85	14.03	10.2	10.5	69.94	68.63	20.15	21.0
March	104.73	104.49	13.98	14.16	10.3	10.6	70.29	69.09	20.31	21.2
April	105.25	105.26	14.01	14.22	10.4	10.6	70.72	69.62	20.46	21.4
May	106.23	105.85	14.20	14.31	10.4	10.5	71.30	70.14	20.52	21.4
June	107.06	106.75	14.40	14.46	10.5	10.6	71.93	70.76	20.73	21.5
July	107.93	107.92	14.56	14.55	10.6	10.8	72.35	71.43	21.02	21.9
August	108.65	108.63	14.72	14.68	10.6	10.7	72.83	72.09	21.10	21.8
September	109.35	109.38	14.81	14.82	10.7	10.7	73.31	72.63	21.23	21.9
October	110.16	110.26	14.88	14.90	10.7	10.8	73.78	73.21	21.50	22.1
November	111.04	110.99	14.96	14.98	10.8	10.8	74.37	73.82	21.71	22.1

Fore. = November Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
August 1983	259.9	259.8	89.98	89.98	23.03	23.03	22.57	22.57
September	262.6	260.0	89.50	91.00	24.01	25.21	23.35	23.70
October	265.1	260.8	93.65	93.37	24.36	26.00	23.49	23.08
November	267.6	260.7	94.07	96.70	24.69	24.72	23.57	24.41
December	269.4	261.7*	94.88	95.46*	25.13	25.29*	23.80	24.65*
January 1984	271.8	263.0	95.36	96.62	25.42	25.56	24.03	24.73
February	275.6	264.8	94.49	98.15	25.40	25.92	24.22	24.91
March	277.5	267.0	95.87	99.93	25.68	26.31	24.43	25.21
April	280.3	269.3	96.91	100.37	26.03	26.69	24.68	25.42
May	282.5	271.5	97.15	102.85	26.17	27.43	24.91	25.59
June	285.9	273.8	98.24	100.99	26.29	27.25	25.23	25.68
July	288.7	275.7	98.82	101.86	26.25	27.36	25.49	25.82
August	291.3	277.6	100.07	104.07	26.43	27.81	25.63	26.03
September	294.4	279.5	102.93	105.39	27.01	28.15	25.80	26.22
October	298.2	281.2	103.46	105.96	27.06	28.20	26.03	26.42
November	300.9	283.5	103.61	105.75	27.11	28.06	26.31	26.51

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
August 1983	512.1	510.4	5.44	5.44	151.4	151.8	77.1	77.3
September	516.3	513.9	5.28	5.43	153.7	153.8	78.1	78.2
October	520.4	516.0	5.47	5.59	154.9	155.0	78.6	78.7
November	524.7	518.0	5.83	5.55	156.0	156.1	79.0	79.1
December	529.1	521.4*	6.06	5.83*	157.1	156.9	79.4	79.4
January 1984	535.6	525.1	6.18	6.05	158.5	158.0*	79.9	79.8*
February	540.3	528.7	6.21	6.16	159.3	158.5	80.1	79.9
March	544.1	532.4	6.24	6.27	160.1	159.2	80.3	80.3
April	550.7	536.5	6.38	6.25	160.9	159.7	80.6	80.4
May	555.6	540.9	6.52	6.43	161.7	160.4	80.8	80.6
June	560.0	545.5	6.81	6.59	162.5	160.8	81.0	80.6
July	566.1	549.5	6.86	6.72	162.2	161.5	80.7	80.7
August	570.5	553.9	6.95	6.90	162.0	161.9	80.5	80.7
September	576.6	557.4	7.04	7.03	162.8	162.5	80.7	80.9
October	582.0	561.4	7.18	7.14	164.0	163.1	81.1	81.1
November	589.1	566.0	7.35	7.29	165.0	163.8	81.4	81.3

Fore. = November Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
August 1983	1.909	1.904	1.141	1.135	1.652	1.652	276.1	282.0	178.8	178.1
September	1.652	1.664	1.009	1.031	1.504	1.506	276.4	285.4	178.7	179.6
October	1.584	1.654	0.993	1.002	1.449	1.630	277.6	271.9	179.1	171.2
November	1.542	1.755	0.972	1.097	1.386	1.642	277.8	271.9	178.9	172.3
December	1.491	1.667	0.946	0.972	1.297	1.605	276.6	268.3*	177.8	169.9*
January 1984	1.498	1.737*	0.981	1.026*	1.273	1.549*	276.2	270.4	177.1	170.7
February	1.472	1.828	0.932	1.082	1.255	1.623	274.8	277.0	175.6	174.2
March	1.512	1.809	0.900	1.083	1.276	1.638	276.0	281.6	175.9	177.1
April	1.527	1.832	0.942	1.121	1.275	1.652	278.6	286.8	177.1	179.9
May	1.535	1.780	0.971	1.086	1.296	1.627	280.2	291.0	177.6	182.0
June	1.538	1.764	0.997	1.095	1.321	1.584	282.1	293.3	178.1	182.9
July	1.572	1.784	1.005	1.111	1.342	1.597	284.7	295.1	179.2	183.4
August	1.624	1.745	1.026	1.063	1.411	1.564	289.2	296.6	181.3	182.7
September	1.655	1.702	1.043	1.051	1.446	1.508	292.9	298.5	182.9	183.1
October	1.627	1.677	1.040	1.055	1.427	1.482	294.7	298.7	183.3	182.4
November	1.586	1.669	1.048	1.042	1.411	1.473	296.5	298.9	183.7	181.7

	Private Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
August 1983	103.3	101.4	52.6	53.5	120.2	127.1
September	100.8	103.4	54.0	52.8	121.6	129.1
October	101.3	101.3	53.5	48.9	122.8	121.7
November	100.6	105.0	53.7	48.6	123.5	118.3
December	100.7	104.2*	54.0	48.0*	121.9	116.1*
January 1984	101.1	105.0	55.3	48.5	119.8	116.9
February	102.2	106.9	55.0	50.3	117.6	119.8
March	103.4	107.5	57.0	50.7	115.6	123.4
April	103.8	108.1	57.5	51.5	117.3	127.2
May	103.6	108.9	58.0	52.3	118.6	129.8
June	103.8	109.5	58.4	53.0	119.9	130.8
July	104.5	110.4	59.0	53.6	121.2	131.1
August	105.8	110.9	59.5	54.3	123.9	131.4
September	107.0	112.5	60.1	54.9	125.8	131.1
October	107.6	113.1	60.8	55.4	126.3	130.2
November	108.1	114.8	61.4	56.0	127.0	128.1

Fore. = November Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
August 1983	300.0	300.0	286.4	286.4	317.5	317.5	2.1638	2.1644
September	301.4	301.4	286.9	286.9	317.2	317.2	2.1704	2.1710
October	302.5	302.7	287.8	287.8	319.5	318.7	2.1813	2.1791
November	303.5	303.6	289.1	287.3	320.6	318.3	2.1892	2.1843
December	304.4	304.4*	290.0	287.8	321.8	318.4	2.1978	2.1924
January 1984	305.6	305.6	291.1	288.2*	322.6	318.1*	2.2071	2.2077
February	306.6	306.6	292.0	289.5	323.7	319.5	2.2162	2.2156
March	307.7	307.5	293.5	290.5	324.9	320.8	2.2254	2.2234
April	309.0	308.7	294.7	291.3	326.1	321.6	2.2337	2.2309
May	310.0	310.0	295.6	292.5	327.1	322.5	2.2419	2.2386
June	311.1	311.0	296.7	293.4	328.2	323.6	2.2502	2.2467
July	312.6	312.2	298.2	294.2	329.4	324.3	2.2600	2.2553
August	314.3	313.2	300.0	295.0	331.0	325.5	2.2695	2.2656
September	316.6	314.5	302.5	296.0	332.6	326.7	2.2791	2.2745
October	317.9	315.8	303.9	297.1	334.7	328.5	2.2929	2.2867
November	318.9	317.5	305.1	298.1	335.3	329.2	2.3020	2.2963

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
August 1983	214.7	214.7	178.9	178.9	215.8	215.7	225.3	225.6	154.4	158.4
September	215.3	215.7	180.1	179.9	216.8	216.0	225.8	227.2	154.7	158.9
October	215.9	215.9	180.5	180.2	217.2	215.9	226.9	227.8	155.0	158.8
November	216.3	216.2	181.3	180.1	217.5	215.3	227.9	229.0	155.3	157.8
December	217.7	216.9*	182.1	181.0*	217.9	215.2*	229.0	230.7*	155.6	157.9*
January 1984	218.3	218.1	182.8	181.4	218.7	216.2	229.8	232.2	156.0	158.4
February	218.9	219.0	183.2	182.0	219.6	217.4	230.7	233.1	156.5	159.0
March	219.6	220.0	183.6	182.6	220.5	218.4	231.6	234.3	156.9	159.4
April	220.2	220.9	184.3	183.3	221.3	219.2	232.6	235.3	157.3	159.9
May	221.4	221.7	184.8	184.0	222.2	220.0	233.7	236.2	157.8	160.4
June	222.6	222.6	185.4	184.6	223.1	220.9	234.5	237.1	158.4	160.9
July	223.7	223.4	186.0	185.1	224.5	221.8	235.4	238.1	158.9	161.5
August	224.4	224.2	186.5	185.7	225.6	222.6	236.6	239.0	159.5	162.3
September	225.0	225.1	187.1	186.3	226.8	223.4	237.8	240.0	160.1	163.0
October	226.3	225.9	188.0	186.7	227.7	224.4	238.7	240.9	160.8	163.8
November	227.3	226.8	188.4	187.3	228.8	225.3	239.8	241.8	161.4	164.5

Fore. = November Forecast
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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1972 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
August 1983	-7190	-7187	158.1	159.0	3359	3358	1552	1551	15.5	18.6
September	-5807	-5807	159.8	160.2	3403	3400	1568	1566	19.5	19.5
October	-7205	-8966	160.4	162.4	3438	3412	1576	1566	17.3	10.3
November	-5076	-7401	160.8	161.8	3462	3433	1581	1572	17.9	9.1
December	-5918	-6892	161.8	162.8*	3487	3451	1587	1574	17.6	7.9
January 1984	-6128	-7862	161.9	163.5	3520	3492	1595	1582	19.1	9.8
February	-6491	-7942	161.5	163.3	3556	3523	1604	1590	20.2	14.3
March	-6853	-7793	162.0	163.6	3594	3553	1615	1598	21.3	16.2
April	-6546	-7522	162.4	164.3	3620	3581	1621	1605	20.8	15.1
May	-6827	-7818	162.9	165.0	3639	3608	1623	1612	21.0	15.6
June	-6652	-7562	163.3	165.4	3659	3634	1626	1617	19.4	14.9
July	-6943	-7463	163.9	165.9	3685	3666	1630	1625	21.5	14.7
August	-7311	-7511	164.8	166.3	3712	3693	1636	1630	22.0	15.9
September	-7649	-7443	165.8	166.9	3741	3720	1641	1636	22.6	16.6
October	-7742	-7382	166.5	167.2	3779	3748	1648	1637	22.3	16.3
November	-7625	-7296	167.0	167.5	3814	3772	1657	1643	22.4	15.5

Fore. = November Forecast
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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
August 1983	195.8	195.2	516.7	516.7	2136.9	2136.9	9.56	9.56	9.51	9.51
September	197.0	196.8	517.2	517.1	2145.3	2145.4	9.45	9.45	9.15	9.15
October	197.9	198.1	518.6	517.9	2159.7	2161.6	9.57	9.48	8.88	8.83
November	199.0	199.4	522.3	518.3	2179.6	2174.6	9.17	9.34	8.70	8.93
December	200.2	200.0	526.0	521.1	2198.4	2184.7	9.06	9.47	8.61	9.17
January 1984	201.5	201.5*	528.3	524.4*	2214.3	2198.3*	8.89	9.62*	8.42	9.06*
February	202.6	202.4	530.6	528.9	2232.3	2215.9	8.72	9.35	8.16	8.74
March	203.9	203.5	533.0	532.2	2250.0	2231.4	8.76	8.97	8.23	8.66
April	205.1	204.6	537.2	535.6	2271.6	2244.3	8.85	8.83	8.30	8.61
May	206.4	205.8	541.4	538.2	2292.9	2264.5	8.93	8.91	8.51	8.68
June	207.7	206.9	545.6	539.8	2314.1	2280.4	9.01	8.72	8.42	8.62
July	208.9	208.0	548.9	542.9	2332.9	2298.6	9.10	8.68	8.40	8.69
August	210.0	209.0	551.1	546.1	2350.6	2319.3	9.12	8.73	8.43	8.75
September	211.1	210.1	553.3	549.0	2369.4	2337.9	9.15	8.89	8.42	8.92
October	212.4	211.3	557.1	552.6	2387.2	2358.9	9.29	9.06	8.49	9.12
November	213.6	212.1	559.9	554.6	2406.5	2375.4	9.39	9.52	8.53	9.29

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
August 1983	12.51	12.51	9.72	9.72	9.54	9.54	9.77	9.77	10.89	10.89
September	12.37	12.37	9.58	9.58	9.24	9.24	9.39	9.39	11.00	11.00
October	12.24	12.25	9.65	9.66	9.09	8.99	9.21	9.18	11.00	11.00
November	12.10	12.41	9.54	9.75	8.96	9.10	9.15	9.36	11.00	11.00
December	12.05	12.57	9.52	9.93	8.92	9.53	9.11	9.69	11.00	11.00
January 1984	11.79	12.42*	9.02	9.58*	8.83	9.26*	9.04	9.47*	11.00	11.00*
February	11.62	12.16	8.84	9.30	8.70	9.04	8.87	9.25	10.50	11.00
March	11.64	11.93	8.91	9.09	8.79	8.71	8.96	8.90	10.50	10.66
April	11.70	11.86	9.00	9.01	8.95	8.75	9.12	8.93	10.50	10.50
May	11.81	11.95	9.09	9.14	9.03	8.94	9.21	9.13	10.50	10.50
June	11.78	11.88	9.09	9.10	9.12	8.83	9.33	9.06	10.50	10.50
July	11.63	11.79	8.93	9.00	9.25	8.80	9.47	9.02	10.50	10.50
August	11.48	11.84	8.87	9.09	9.23	8.85	9.51	9.07	10.50	10.50
September	11.43	11.95	8.86	9.19	9.28	8.99	9.58	9.19	10.50	10.50
October	11.59	11.98	8.98	9.26	9.34	9.24	9.65	9.43	10.50	10.50
November	11.60	12.16	9.03	9.45	9.42	9.43	9.67	9.65	10.50	10.87

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MONTHLY PROJECTIONS
FOR OCTOBER

Issued February 10, 1984

ECONOMY REMAINS STRONG BUT UNCERTAINTY GROWS

January's employment situation should lay to rest any significant concerns that the economy is about to propel itself into a recession. The current monthly projections generally include the monthly evaluation of our February forecast in the current expectations column. However, the hours worked expanded so sharply in January that they cannot fit comfortably into the forecasted values. Indeed, an upward revision in our already robust 5.2% increase for the first quarter may be required.

Apparently, adverse weather was more responsible for changing production and spending patterns in December than any underlying changes in economic behavior. Although the weather did not improve in January, seasonal factors in that month expect weather patterns consistent with those that occurred. Therefore, the seasonally adjusted data are expected to show significant economic vigor. In the first place, retail sales should be enhanced by the restocking of pantries following an unexpected 1.5% decline in grocery sales during December. The general merchandise category in December probably was significantly understated in the advance retail reports and should be revised upward. At the same time, automobile sales have surged to more than 11 million units. Further advances in automobile sales are unlikely from these lofty levels. To that extent, most of the expansion in consumer durables probably already has occurred. As consumer durables constitute the most volatile segment of consumer activity, the consumer will not be leading economic expansion in 1984.

Indeed, the current stock market decline is reducing the ratio of assets to consumption in the household sector to the vicinity of 3. Our analysis suggests that ratios above 3 that are also rising tend to cause savings rates to decline. Ratios below 3 that are falling cause savings rates to rise. While the decline in the ratio certainly would suggest an increase in savings during 1984, there still remains residual gains from the previous year that have not yet been converted into increased consumption. Therefore, the recent decline in equity values merely cancels out the lagged stimulus from previous stock market advances. Further equity value declines, however, will begin to generate increased savings. At that point, economic expansion could begin to falter.

While the expansion of employment and especially of the index of hours worked in January strongly suggest that industrial production and personal income in January will generate significant gains, it is possible that the economic expansion already has shifted from rewarding equity owners to rewarding wage earners. As the hourly earning index remains well subdued, at 3.6% above previous year levels and growing at a 3.6% annual rate in the latest three months, the increased share of activity going to workers may be in the form of increased hours and jobs. In other words, productivity gains during 1983 may not have been as fundamental as many observers have argued. After all, the 3.1% expansion in the private nonfarm economy during that year is one of the lowest productivity gains during the first four quarters of economic expansion. If hours worked now are growing no slower than economic activity, as the January employment situation strongly implies, then the benefits to inflation from increased productivity gains may already be nearing an end. Actually, such a conclusion would be puzzling, as the high real rates of interest require the use of very productive capital resources. Although the reduced growth in the quantity of those resources precludes any dramatic acceleration in productivity, the improved quality necessitated by these high real rates of interest clearly argues in favor of some continued productivity advances. Therefore, the surge in January may be somewhat illusory, as it merely reflects regaining the growth path that had temporarily been diminished by adverse weather in December. Activity in subsequent months, therefore, should be advancing much more slowly.

Unfortunately, the President's budget and the Open Market Committee meeting minutes of December 1983 raise serious questions about the direction of monetary and fiscal policy. According to those Open Market minutes, "concern was expressed that, as the foreign exchange value of the dollar rose to a relatively high level, the dollar would be exposed increasingly to a precipitate drop." In effect, accumulating snow on the mountaintops was increasing the risk of a serious inflationary avalanche. The solution should have been a pre-emptive minor avalanche to forestall the development of serious foreign exchange disequilibrium. However, the same Open Market Committee that expressed these concerns advocated the possibility of intensifying Federal Reserve restraint even as the dollar continued to advance toward new highs. Advocating the absolutely incorrect prescription to a correctly diagnosed problem raises grave concerns about the competence of the Federal Reserve during this period of foreign exchange speculation. Now that the dollar is falling, the Federal Reserve simply has no capacity to tighten policy in order to moderate the dollar's decline without inflicting serious damage upon the domestic economy. Was the Federal Reserve truly so short-sighted in December that it could not understand the consequences of its actions?

Not only is the President's 1985 budget distressing because of the $180 billion deficit and the increased interest expenses that such a mountain of red ink implies, but there is little likelihood that the deficit will be held down even to that significant rate. Virtually no competent forecaster believes that interest rates can continue to decline in the third year of an economic recovery while the budget excluding the change in interest expense is actually increasing. Yet, the administration presents such a budget and then diminishes the interest expense component by arbitrarily declaring that interest rates, indeed, will be declining. When other revenue-raising proposals of the administration also are rejected, such as tax payments on the employer contribution for health insurance, the deficit should more appropriately be nearly $200 billion. Of greater significance is the necessity of the administration to acknowledge that rapid economic growth, in the absence of an

inflationary flare-up, cannot significantly reduce budget deficits. While the Treasury Department may criticize Dr. Feldstein's analysis of the structural deficit, they have yet to provide any public studies that legitimately can refute it.

The President's inaction in the face of accelerating deficits during a period of maturing economic activity clearly suggests that credit market imbalances will be developing in 1985 that may lead to the end of economic expansion before that year is out.

Quarterly Profile of GNP

	1984-I	1984-II	1984-III	1984-IV	1985-I
Real	5.2	4.8	3.8	3.9	2.5
Price	6.0	4.2	4.6	5.7	5.3
Nominal	11.5	9.3	8.5	9.8	7.9

Monthly Statistical Highlights
for January 1984

Personal income, +1.1%; Savings rate, 5.2%; Personal consumption, +1.0%; Retail sales, +1.7%; Housing starts, +4.2%; Housing permits, +3.6%; Construction expenditures, +1.5%; Business inventories, +0.6%; Orders for durable goods, -0.9%; Orders for nondefense capital goods, +2.0%; Industrial production, +1.3%; CPI, +0.7%; Consumption deflator, +0.6%; Leading indicators, +0.4%; M1, +8.9%; M2, +6.0%.

Monthly Statistical Highlights
for February 1984

Payroll employment, +137,000; Index of hours worked, +0.1%; Household employment, +236,000; Civilian unemployment rate, 8.0%; Personal income, +0.6%; Savings rate, 5.5%; Personal consumption, +0.4%; Retail sales, +0.4%; Auto sales, 11.0 million; Housing starts, +5.7%; Housing permits, -2.2%; Construction expenditures, -0.1%; Business inventories, +0.7%; Orders for durable goods, +0.3%; Orders for nondefense capital goods, -0.9%; Industrial production, +0.4%; CPI, +0.5%; PPI, +0.6%; Consumption deflator, +0.6%; Leading indicators, +0.2%; M1, 6.1%; M2, 8.2%.

Commentary

Employment - Of the 285,000 expansion in payroll employment during January, 100,000 was in construction and another 100,000 was in manufacturing, especially machinery and transportation equipment. Employment gains in machinery and transportation equipment should continue to remain robust for several more months, although shipments currently are exceeding orders in the nondefense

capital goods sector. The surge in construction appears to be the result of weather problems and no further surge should be expected. Therefore, payroll employment will grow much more slowly in the next few months. However, the surge in the index of hours worked already places that index 6.4% above fourth quarter levels. Not only does this suggest that productivity gains will be relatively small early in 1984, it also indicates that the private economy has rebounded. Industrial production should be expanding at least 1.3% to be consistent with the strong gain in hours worked. Moreover, the extension of the manufacturing workweek suggests that employment gains will remain robust for a few more months.

The good news in the employment situation is the continuing moderation in the hourly earnings index. No significant acceleration has yet been detected. Thus, wage costs should show no dramatic acceleration from 1983 averages during 1984, except for the impact that higher Social Security taxes paid by employers has upon wage costs.

Personal Income and Outlays - According to the President's budget, PIK distributions will reach their maximum levels in the early months of 1984. This would suggest that farm incomes can continue to rise in January and February. Declines then would be necessary in subsequent months in the absence of favorable earnings from cash crops. When these PIK transfers are combined with the wage increases for federal employees, 3.5% for civilians and 4.0% for the military, and with the cost of living adjustment for Social Security recipients, personal income in January could jump by a relatively vigorous amount.

However, outlays also appear to be increasing strongly. Although purchases of services will show a more normal rate of increase following the weather-induced surge in December, sharp increases in automobile sales and a shift toward grocery consumption in January suggest that overall outlays could exceed 1%. Nevertheless, consumer savings should rise. Further increases in consumer savings are now anticipated for February, as consumers begin to moderate their purchases of durables to replenish liquidity following involuntary consumption of utilities and the increased uncertainty resulting from dramatic stock market declines. Thus, the consumer will begin increasing its pool of savings during the early months of 1984.

Retail Sales - The largest changes anticipated in retail sales are in the automobile component, where sales accelerated to 11.2 million units in January, and the grocery store component, where December declines must have been the result of delayed purchases. Indeed, retail sales could show a surge approaching 2% in January.

Construction - The employment situation clearly suggests that construction will rebound strongly in January. Moreover, a surge in sales of single-family dwellings, dropping that inventory to only a 4.5 month supply, should encourage builders to intensify their efforts early in 1984. Whereas the housing market detracted from GNP in the fourth quarter, it will be adding to economic growth in the first half of 1984. Declines then may begin to materialize in subsequent periods.

The surge in single-family sales during December to 808,000 is difficult to explain. Of course, aggressive marketing of variable rate mortgages helped sales activity in several states. Many buyers felt they were receiving a

temporary financing benefit. It is possible that the current sales surge reflects the belief of potential home buyers that mortgage rates are about to rise. It is also possible that termination of mortgage subsidy programs at the end of the year enticed some buyers to step up their purchasing plans. Certainly, sales should not remain as robust in the winter. Nevertheless, the significant reduction in the inventory of available homes will encourage construction early in 1984.

Business Activity - Orders for durable goods were revised upward when factory orders were released for December. As defense and primary metals showed significant order declines, the performance in the durable goods industries must be considered exceptionally strong. Orders rebounded for nondefense capital goods, but shipments currently are exceeding those orders. It is unlikely that shipments can remain as robust in the early months of 1984 as in December. Indeed, a mere maintenance of those shipment rates would lead to a further dramatic acceleration in spending on producers' durables during the winter quarter.

Manufacturers' inventories again showed no increase. The dramatic growth in manufacturing shipments with no change in inventories remains a significant puzzle. Obviously, the processing of inventories has been shifting from the manufacturing sector to the wholesale and retail areas. As a result, manufacturers probably will now maintain lower inventories relative to shipments than historically. Nevertheless, inventories should begin to grow toward the rate of growth of shipments at some time in 1984. This suggests that further increases in industrial production still are warranted for the purpose of restocking warehouses.

Prices - A temporary surge in prices is likely in the first months of 1984 as a result of surging fuel oil prices and some temporary increases in prices for fruits, vegetables, and meat products. The food components, except meat, should reverse price direction late in the winter and in early spring. Moreover, most of the increase in fuel oil prices will be reversed as warmer weather approaches. Thus, prices will surge in the first quarter and then subside in the spring.

Miscellaneous - Although the dollar apparently has begun its correction from an overvalued position, trade deficits are expected to deteriorate significantly following a temporary reprieve in December. Because of response to earlier favorable weather conditions, oil imports were declining in that month. Also, a temporary surge in sales of transportation equipment led to a rare gain in exports. Both positions will be reversed early in 1984, leading to record trade deficits in the first quarter.

Financial Markets

Money no longer is growing at a snail's pace, but a dramatic decline in the ratio of deposits to reserves suggests that a modest increase in Federal Reserve accommodation is being partially thwarted by diminished demand for money. Apparently, heightened currency speculation in December led to increased demand for transactions balances to service the growing investment positions of foreign investors. Now that those investors are rapidly reversing their dollar holdings, these transactions deposits can be reduced. Certainly, the reduced demand for money is not the result of diminished economic activity in the United States.

Initially, the shift in foreign investors' sentiments will lead to more moderate growth in M1, permitting the Federal Reserve to reduce federal funds targets if it so desires. However, the longer term implications of the change in foreign investors' sentiment is an increase in domestic interest rates. Ultimately, those investors must either be coaxed back with the aid of increased earnings potential or higher domestic interest rates must be necessary to reduce investment desires and increase desired savings in the domestic economy. Therefore, any moderation in interest rates stemming from a near-term slowing in the demand for money, that will be reflected in reduced growth in monetary aggregates, is no significant cause for interest rate comfort.

As mentioned above, the rapid increase in the index of hours worked may mean that the business cycle is now moving toward rewarding wage earners through increased use of their resources at the expense of equity holders. The result of this shift in income distribution is a reduction in corporate profitability, and an increase in corporate borrowing needs. Thus, the corporate sector may already be shifting toward a net user of the available credit pool. Fortunately, government receipts currently are expanding more rapidly than government outlays at the present time. Thus, total government deficits are declining slightly. However, significant gains in operating surpluses registered by state and local governments suggest that much of this improved budgetary condition is temporary. By the end of 1984, the combined impact of federal and state and local budgets will be to increase claims against the available savings pool. This leaves the household sector as the only significant force acting toward reduced interest rates at the present time. A period of increased savings should develop once the involuntary consumption of utilities has ended. Therefore, interest rates can decline into the spring. After that time, however, the increased use of funds by the corporate and government sectors will offset any further increase in that savings pool stimulated by household behavior. Thus, interest rates will be rising significantly at the end of 1984 and should be moving toward recession-inducing levels in 1985.

Equity Markets

Our stock market formulas clearly missed the significant market correction that began developing in January. Of course, the degree of gain in corporate profitability may be overstated, especially as the surge in hours worked strongly suggests that productivity gains no longer are significant. This means that incomes are being redistributed away from corporate profitability and toward wage compensation. Such a redistribution of income clearly is adverse to the benefits of equity holders. Nevertheless, growth is sufficiently vigorous in the economy to insure that some absolute gains are continuing to be registered in the book value of equity ownership. Therefore, the significant market break must be explained largely by changes in investors' sentiment.

While our formulas use returns from alternative investments, as reflected in yields on long-term securities, the yields that have been used are those of Aaa corporate bonds. In fact, the corporate bond market rallied in January. This would suggest that stock prices should rise. However, market concerns about the supply of government issues prevented the Treasury market from similarly improving. Thus, the corporate Aaa's currently may not be a good proxy for alternative investment opportunities facing investors in the stock market. Using long-term Treasury bonds would have led to a 7% lower valuation of equities.

However, the greatest omission in the equity analysis is the failure to consider the needs of foreign investors. What differentiates the foreign holders of American equities from domestic holders is their concern about currency translations. If the dollar becomes overvalued, foreign investors would require significant concessions in order to purchase American investment instruments. Using some of our mathematical analysis, both the currency markets and the equity markets appear to have developed a "catastrophe point". This means that price concessions in excess of 10% are necessary before fundamental equilibrium conditions can be re-established in either market. Using that methodology, we would expect the stock market to fall to the vicinity of 1100 on the Dow Jones before foreign investors no longer are apprehensive about holding overvalued dollar assets. This is a significant revision from our previous analysis, but it appears to be dictated by shifts in investors' sentiment concerning the dollar's value.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1983	90743	91084	107.5	108.1	102198	101970	9.3	8.8	156.5	156.8
November	91105	91355	107.8	108.3	102573	102606	8.8	8.4	157.4	156.9
December	91392	91583	108.0	108.8	102777	102941	8.4	8.2	158.4	157.5
January 1984	91556	91870	108.2	110.2	103017	103190	8.5	8.0	159.0	158.2
February	91688	92107*	108.4	110.3*	103192	103426*	8.5	8.0*	159.6	159.2*
March	91821	92368	108.7	110.5	103355	103654	8.4	7.9	160.1	160.1
April	92037	92607	108.9	110.7	103599	103947	8.4	7.8	160.6	160.6
May	92245	92812	109.1	110.9	103930	104253	8.3	7.7	161.1	161.0
June	92461	93018	109.2	111.2	104078	104561	8.3	7.6	161.7	161.5
July	92573	93207	109.4	111.5	104217	104772	8.2	7.6	162.2	162.2
August	92652	93405	109.5	111.7	104385	104998	8.1	7.6	162.7	163.0
September	92730	93611	109.7	111.9	104514	105217	8.0	7.5	163.3	163.7
October	93007	93782	110.0	112.1	104861	105448	7.9	7.4	164.0	164.5
November	93302	93960	110.3	112.4	105006	105631	7.9	7.3	164.7	165.2
December	93596	94138	110.6	112.7	105318	105854	7.8	7.3	165.5	165.9

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1983	2.809	2.813	1.709	1.711	109.6	126.9	2.403	2.405	2.293	2.278
November	2.833	2.833	1.720	1.715	122.3	126.4	2.423	2.423	2.301	2.296
December	2.867	2.857	1.740	1.725	132.9	117.5	2.448	2.443	2.315	2.326
January 1984	2.881	2.883*	1.748	1.742*	126.1	124.1*	2.461	2.469*	2.335	2.345*
February	2.901	2.899	1.756	1.752	128.2	128.3	2.481	2.482	2.353	2.354
March	2.920	2.916	1.765	1.763	130.3	131.6	2.502	2.496	2.372	2.364
April	2.941	2.934	1.778	1.775	128.8	131.1	2.517	2.512	2.388	2.381
May	2.963	2.954	1.790	1.785	129.2	130.7	2.532	2.529	2.403	2.398
June	2.985	2.973	1.803	1.796	129.3	128.8	2.548	2.545	2.419	2.416
July	3.002	2.994	1.814	1.807	122.8	129.3	2.562	2.561	2.439	2.432
August	3.018	3.012	1.823	1.819	118.3	127.0	2.575	2.574	2.457	2.447
September	3.034	3.033	1.833	1.833	112.0	126.8	2.587	2.590	2.474	2.463
October	3.065	3.059	1.850	1.847	116.3	130.7	2.613	2.612	2.497	2.481
November	3.090	3.078	1.865	1.860	121.7	130.0	2.633	2.627	2.511	2.497
December	3.114	3.097	1.881	1.872	122.8	132.8	2.652	2.642	2.529	2.509

Fore. = November Forecast
C.E. = Current Expectations
= This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1983	2228.7	2211.8	296.5	288.2	830.7	825.7	1101.5	1097.8	1032.2	1024.3
November	2234.1	2229.4	298.1	291.8	833.1	828.1	1102.9	1109.5	1033.1	1031.4
December	2251.5	2258.0	299.4	305.6	843.6	823.8	1108.5	1128.6	1034.4	1040.9
January 1984	2270.5	2276.3*	306.3	306.8*	847.5	834.6*	1116.7	1134.9*	1040.2	1044.7*
February	2287.6	2284.5	308.9	306.0	851.5	840.3	1127.2	1138.2	1045.0	1041.7
March	2305.4	2294.7	311.5	306.5	855.8	846.0	1138.1	1142.2	1049.7	1041.2
April	2319.4	2310.6	313.2	309.4	861.0	850.2	1145.2	1151.0	1053.2	1047.4
May	2336.2	2327.3	316.4	313.5	868.1	852.3	1151.7	1161.5	1055.0	1051.6
June	2352.3	2344.6	319.2	317.6	875.8	854.7	1157.3	1172.3	1056.9	1055.7
July	2371.0	2359.2	323.3	319.5	880.8	860.3	1166.9	1179.4	1059.9	1058.4
August	2388.6	2373.8	325.4	321.4	886.7	867.1	1176.5	1185.3	1064.5	1060.7
September	2406.2	2389.4	327.5	323.4	892.5	873.9	1186.2	1192.1	1069.2	1063.4
October	2424.2	2406.8	330.5	325.2	898.3	878.2	1195.4	1203.4	1071.3	1066.8
November	2441.1	2421.8	333.2	327.3	905.4	881.4	1202.5	1213.1	1074.1	1069.2
December	2458.7	2433.4	335.8	326.7	913.1	884.0	1209.8	1222.7	1076.5	1070.1

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1983	100.87	100.84	13.53	13.72	9.6	9.8	68.23	67.75	19.11	19.37
November	101.34	101.98	13.50	13.82	9.8	9.5	68.43	67.87	19.41	20.29
December	102.44	102.06	13.44	13.79	10.0	10.5	69.29	67.41	19.71	20.87
January 1984	103.42	103.09	13.61	13.85*	10.3	10.5*	69.61	68.29*	20.20	20.95
February	104.10	103.47	13.85	13.79	10.2	10.4	69.94	68.76	20.15	20.92
March	104.73	103.99	13.98	13.69	10.3	10.5	70.29	69.23	20.31	21.07
April	105.25	104.66	14.01	13.85	10.4	10.6	70.72	69.57	20.46	21.24
May	106.23	105.30	14.20	14.06	10.4	10.6	71.30	69.74	20.52	21.50
June	107.06	105.96	14.40	14.20	10.5	10.7	71.93	69.94	20.73	21.82
July	107.93	106.64	14.56	14.46	10.6	10.7	72.35	70.40	21.02	21.78
August	108.65	107.40	14.72	14.60	10.6	10.7	72.83	70.95	21.10	21.85
September	109.35	108.18	14.81	14.84	10.7	10.6	73.31	71.51	21.23	21.83
October	110.16	108.74	14.88	14.82	10.7	10.6	73.78	71.86	21.50	22.06
November	111.04	109.24	14.96	14.84	10.8	10.7	74.37	72.12	21.71	22.28
December	111.96	109.39	15.11	14.94	10.8	10.6	75.00	72.34	21.85	22.11

Fore. = November Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1983	1.584	1.654	0.993	1.002	1.449	1.630	277.6	271.7	179.1	171.0
November	1.542	1.755	0.972	1.097	1.386	1.642	277.8	275.5	178.9	174.6
December	1.491	1.667	0.946	0.972	1.297	1.605	276.6	275.0	177.8	172.8
January 1984	1.498	1.737*	0.981	1.026*	1.273	1.663*	276.2	279.2*	177.1	175.3*
February	1.472	1.836	0.932	1.088	1.255	1.627	274.8	279.0	175.6	174.7
March	1.512	1.824	0.900	1.108	1.276	1.633	276.0	281.2	175.9	175.6
April	1.527	1.796	0.942	1.103	1.275	1.588	278.6	284.1	177.1	176.8
May	1.535	1.771	0.971	1.099	1.296	1.562	280.2	228.5	177.6	178.9
June	1.538	1.747	0.997	1.095	1.321	1.576	282.1	292.3	178.1	180.4
July	1.572	1.735	1.005	1.086	1.342	1.592	284.7	294.3	179.2	180.9
August	1.62[illegible]	1.716	1.026	1.063	1.411	1.573	289.2	294.0	181.3	180.0
September	1.655	1.712	1.043	1.040	1.446	1.551	292.9	294.4	182.9	179.5
October	1.627	1.738	1.040	1.057	1.427	1.577	294.7	297.2	183.3	180.4
November	1.586	1.759	1.048	1.065	1.411	1.609	296.5	300.2	183.7	181.5
December	1.549	1.759	1.011	1.066	1.363	1.615	297.3	302.6	183.4	182.1

	Private Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1983	101.3	101.3	53.5	48.7	122.8	121.7
November	100.6	106.1	53.7	50.1	123.5	119.2
December	100.7	106.7	54.0	50.1	121.9	118.2
January 1984	101.1	107.6*	55.3	51.1*	119.8	120.5*
February	102.2	107.3	55.0	51.4	117.6	120.3
March	103.4	107.9	57.0	51.8	115.6	121.5
April	103.8	108.8	57.5	52.5	117.3	122.8
May	103.6	110.5	58.0	53.1	118.6	124.9
June	103.8	112.1	58.4	53.7	119.9	126.5
July	104.5	113.5	59.0	54.0	121.2	126.8
August	105.8	114.3	59.5	54.4	123.9	125.3
September	107.0	115.4	60.1	54.8	125.8	124.2
October	107.6	116.9	60.8	55.3	126.3	125.0
November	108.1	118.2	61.4	55.9	127.0	126.1
December	108.8	119.6	62.0	56.5	126.5	126.5

Fore. = November Forecast
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* = This item and those beyond it are projections.

BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1983	265.1	260.8	93.65	93.37	24.36	26.00	23.49	23.08
November	267.6	260.6	94.07	96.51	24.69	24.58	23.57	24.26
December	269.4	260.7	94.88	96.69	25.13	25.13	23.80	25.90
January 1984	271.8	261.2*	95.36	95.83*	25.42	25.63*	24.03	25.08*
February	275.6	263.5	94.49	96.07	25.40	25.41	24.22	24.96
March	277.5	264.5	95.87	96.38	25.68	25.36	24.43	25.02
April	280.3	266.7	96.91	97.92	26.03	25.68	24.68	25.26
May	282.5	267.8	97.15	98.87	26.17	26.25	24.91	25.44
June	285.9	269.3	98.24	100.12	26.29	26.51	25.23	25.61
July	288.7	271.0	98.82	100.68	26.25	26.79	25.49	25.78
August	291.3	272.5	100.07	100.96	26.43	26.44	25.63	25.87
September	294.4	274.4	102.93	102.72	27.01	26.77	25.80	25.79
October	298.2	276.5	103.46	104.31	27.06	27.23	26.03	25.96
November	300.9	277.9	103.61	105.64	27.11	27.61	26.31	26.13
December	303.6	279.9	103.89	106.32	27.20	27.85	26.60	26.29

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1983	520.4	516.0	5.47	5.59	154.9	155.0	78.6	78.7
November	524.7	518.0	5.83	5.66	156.0	156.1	79.0	79.1
December	529.1	519.6*	6.06	5.63	157.1	156.9	79.4	79.4
January 1984	535.6	522.5	6.18	5.80*	158.5	158.9*	79.9	80.3*
February	540.3	526.3	6.21	5.94	159.3	159.5	80.1	80.5
March	544.1	529.8	6.24	6.07	160.1	159.8	80.3	80.6
April	550.7	532.4	6.38	6.15	160.9	160.4	80.6	80.8
May	555.6	536.3	6.52	6.18	161.7	161.1	80.8	80.9
June	560.0	539.5	6.81	6.22	162.5	161.8	81.0	81.1
July	566.1	542.8	6.86	6.38	162.2	162.3	80.7	81.2
August	570.5	546.7	6.95	6.55	162.0	162.7	80.5	81.2
September	576.6	550.6	7.04	6.70	162.8	163.1	80.7	81.3
October	582.0	554.7	7.18	6.85	164.0	163.7	81.1	81.4
November	589.1	558.9	7.35	6.94	165.0	164.3	81.4	81.5
December	595.4	562.1	7.48	7.03	165.7	164.9	81.6	81.7

Fore. = November Forecast
C.E. = Current Expectations
* = This item and those beyond it are expectations.

PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1983	302.5	302.7	287.8	287.8	319.5	318.7	2.1813	2.1791
November	303.5	303.6	289.1	287.3	320.6	318.3	2.1892	2.1843
December	304.4	304.4	290.0	287.8	321.8	318.4	2.1978	2.1924
January 1984	305.6	306.2*	291.1	288.2*	322.6	318.0*	2.2071	2.2073*
February	306.6	307.7	292.0	289.9	323.7	319.8	2.2162	2.2175
March	307.7	309.1	293.5	291.7	324.9	322.0	2.2254	2.2271
April	309.0	309.7	294.7	293.1	326.1	323.0	2.2337	2.2326
May	310.0	310.7	295.6	294.1	327.1	323.8	2.2419	2.2404
June	311.1	311.8	296.7	295.2	328.2	324.7	2.2502	2.2482
July	312.6	313.0	298.2	296.5	329.4	325.8	2.2600	2.2563
August	314.3	314.3	300.0	297.8	331.0	326.8	2.2695	2.2656
September	316.6	315.6	302.5	299.1	332.6	327.5	2.2791	2.2750
October	317.9	316.8	303.9	301.2	334.7	329.9	2.2929	2.2887
November	318.9	317.8	305.1	302.3	335.3	330.2	2.3020	2.2973
December	320.0	318.9	306.5	303.5	336.0	331.0	2.3108	2.3060

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1983	215.9	215.9	180.5	180.2	217.2	215.9	226.9	227.8	155.0	158.8
November	216.3	216.2	181.3	180.1	217.5	215.3	227.9	229.0	155.3	157.8
December	217.7	216.9	182.1	180.9	217.9	215.3	229.0	230.5	155.6	159.1
January 1984	218.3	217.9*	182.8	181.5*	218.7	216.9*	229.8	231.4*	156.0	159.3*
February	218.9	219.3	183.2	181.9	219.6	219.0	230.7	232.4	156.5	159.7
March	219.6	220.4	183.6	182.3	220.5	220.5	231.6	233.5	156.9	160.1
April	220.2	220.6	184.3	182.7	221.3	220.0	232.6	234.6	157.3	160.7
May	221.4	221.3	184.8	183.1	222.2	220.3	233.7	235.4	157.8	161.3
June	222.6	222.1	185.4	183.5	223.1	220.6	234.5	236.2	158.4	162.0
July	223.7	222.9	186.0	184.3	224.5	221.5	235.4	237.3	158.9	162.7
August	224.4	223.8	186.5	185.0	225.6	222.7	236.6	238.3	159.5	163.3
September	225.0	224.7	187.1	185.7	226.8	223.9	237.8	239.4	160.1	164.0
October	226.3	225.6	188.0	186.3	227.7	224.4	238.7	240.5	160.8	164.7
November	227.3	226.5	188.4	186.7	228.8	224.9	239.8	241.6	161.4	165.4
December	228.4	227.4	188.8	187.1	229.8	225.4	240.9	242.7	162.1	166.2

Fore. = November Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1972 $)		IVA (annual rate)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1983	-7205	-8966	160.4	162.4	3438	3412	1576	1566	17.3	10.3
November	-5076	-7401	160.8	161.9	3462	3433	1581	1572	17.9	9.1
December	-5918	-6300	161.8	162.9	3487	3451	1587	1574	17.6	7.9
January 1984	-6128	-7405*	161.9	163.9*	3520	3498*	1595	1585*	19.1	9.4
February	-6491	-7925	161.5	164.3	3556	3525	1604	1590	20.2	10.3
March	-6853	-6142	162.0	164.5	3594	3557	1615	1597	21.3	11.7
April	-6546	-6842	162.4	165.2	3620	3578	1621	1603	20.8	15.8
May	-6827	-7965	162.9	165.3	3639	3605	1623	1609	21.0	20.4
June	-6652	-7872	163.3	165.9	3659	3635	1626	1617	19.4	21.7
July	-6943	-8463	163.9	166.4	3685	3660	1630	1622	21.5	17.6
August	-7311	-8280	164.8	166.8	3712	3678	1636	1623	22.0	15.9
September	-7649	-8116	165.8	167.3	3741	3704	1641	1628	22.6	15.1
October	-7742	-8465	166.5	167.2	3779	3742	1648	1635	22.3	18.4
November	-7625	-8280	167.0	167.0	3814	3767	1657	1640	22.4	18.0
December	-7546	-8096	167.6	167.3	3851	3793	1667	1645	22.6	18.2

Fore. = November Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1983	197.9	198.1	518.6	517.9	2159.7	2161.6	9.57	9.48	8.88	8.83
November	199.0	199.5	522.3	518.3	2179.6	2174.6	9.17	9.34	8.70	8.93
December	200.2	199.7	526.0	521.1	2198.4	2184.7	9.06	9.47	8.61	9.17
January 1984	201.5	201.4	528.3	524.8*	2214.3	2195.3*	8.89	9.56	8.42	9.01
February	202.6	203.0	530.6	527.4	2232.3	2209.8	8.72	9.53*	8.16	9.02*
March	203.9	204.6	533.0	530.3	2250.0	2223.7	8.76	9.44	8.23	8.73
April	205.1	205.7	537.2	533.9	2271.6	2239.6	8.85	9.36	8.30	8.80
May	206.4	206.8	541.4	536.5	2292.9	2259.5	8.93	9.37	8.51	8.76
June	207.7	207.9	545.6	539.1	2314.1	2278.8	9.01	8.78	8.42	8.71
July	208.9	209.2	548.9	540.6	2332.9	2291.2	9.10	8.93	8.40	8.75
August	210.0	210.4	551.1	542.5	2350.6	2302.3	9.12	9.02	8.43	8.85
September	211.1	211.6	553.3	544.5	2369.4	2313.6	9.15	9.11	8.42	8.93
October	212.4	212.9	557.1	548.8	2387.2	2337.4	9.29	9.39	8.49	9.06
November	213.6	214.1	559.9	553.3	2406.5	2358.4	9.39	9.86	8.53	9.29
December	214.7	215.3	562.6	558.4	2425.8	2379.2	9.51	9.91	8.78	9.37

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
October 1983	12.24	12.25	9.65	9.66	9.09	8.99	9.21	9.18	11.00	11.00
November	12.10	12.41	9.54	9.75	8.96	9.10	9.15	9.36	11.00	11.00
December	12.05	12.57	9.52	9.93	8.92	9.53	9.11	9.69	11.00	11.00
January 1984	11.79	12.20	9.02	9.58	8.83	9.20	9.04	9.42	11.00	11.00
February	11.62	12.13*	8.84	9.46*	8.70	9.15*	8.87	9.35*	10.50	11.00
March	11.64	12.18	8.91	9.48	8.79	9.07	8.96	9.29	10.50	11.00
April	11.70	11.96	9.00	9.27	8.95	9.00	9.12	9.23	10.50	11.00
May	11.81	11.86	9.09	9.16	9.03	9.02	9.21	9.25	10.50	11.00
June	11.78	11.77	9.09	9.06	9.12	8.85	9.33	9.11	10.50	11.00
July	11.63	11.80	8.93	9.09	9.25	8.97	9.47	9.20	10.50	11.00
August	11.48	11.85	8.87	9.16	9.23	9.06	9.51	9.25	10.50	11.00
September	11.43	11.89	8.86	9.21	9.28	9.15	9.58	9.43	10.50	11.00
October	11.59	12.04	8.98	9.38	9.34	9.22	9.65	9.51	10.50	11.00
November	11.60	12.26	9.03	9.58	9.42	9.63	9.67	9.86	10.50	11.19
December	11.63	12.48	9.06	9.80	9.55	9.85	9.81	10.09	10.50	11.50

Fore. = November Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

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Dear Subscribers of Monthly Projections:

We apologize for the irregular schedule of this publication and the substantial break in time since our last release. We have been trying to reduce the volatility in estimated monthly GNP by fully incorporating a monthly income and expenditures accounting methodology. Although our estimates of monthly GNP continue to be more volatile than the monthly coincident index, industrial production, or personal income, the monthly estimates appear to be sufficiently reasonable to utilize in our Monthly Projections.

It is our intention to provide a more regular report than in the past. Upon the release of monthly personal income estimates and the GNP revisions that are used to adjust our monthly estimates, we plan to provide a preliminary estimate of GNP for the same month. The Projections will use that preliminary estimate in its tables. Thus, the Monthly Projections should be prepared and distributed by the end of the week following the personal income release. This schedule will be used during those months when GNP estimates will be revisions rather than the initial report for a quarter.

Because of speculation concerning GNP estimates prior to the initial release of the quarterly GNP, the Monthly Projections will be released in the week following the Employment Situation report during January, April, July, and October. This timing also permits sufficient time following the July GNP revisions to update our data series before releasing the next Monthly Projections late in August. We hope the regularity of this schedule will increase the usefulness of this publication.

For those regular Monthly Projections subscribers, the renewal rate will by $25.00 to compensate for the irregularity of the publication in the prior year. All new subscribers will continue to pay $50.00 per year for this publication.

We hope the Monthly Projections and this new schedule will prove to be beneficial to you.

Sincerely,

Donald Ratajczak

Donald Ratajczak
Director

6/5/84 U1880-3 A

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MONTHLY PROJECTIONS
FOR MAY

Issued May 29, 1984

SURGE IN INVENTORIES STRENGTHENS ECONOMY AND RAISES INTEREST RATES

As recently as the quarterly forecast prepared in early May, it appeared that inventories would maintain a substantially lower relationship relative to production and sales in this cycle than during previous cycles after adjustment for underlying trends. Substantial reductions in inventory accumulations relative to economic activity during the latter half of 1983 raised the question whether something fundamental had happened to the inventory relationship. New management processes, such as just-in-time inventory ordering, were used to explain the especially favorable inventory accumulation performance. Better communications between suppliers, producers, and distributors also were cited as reducing the need for inventory in comparison with goods production.

A dramatic acceleration in inventory accumulation, accentuated by an unusually large inflation-adjusted rate of accumulation during the first quarter, began to alter that viewpoint. In April substantial increases in production, especially in durable goods industries, without supporting increases in shipments suggest that inventories continued to rise rapidly during the spring. Now that delivery delays are lengthening for key production materials, a return to more normal inventory relationships appears to be rapidly developing. What was billed as a new approach to inventory investing now appears to be little more than an attempt to stick the customers and suppliers with the role of financing inventories. This shift in financing probably will become the new normal procedure for adjusting inventories to desired activity.

Unfortunately, this shift in inventory behavior substitutes unutilized production for existing inventory stocks in determining production and pricing plans until delays become substantial. With fewer stocks to serve as buffers, overtime hours will be more readily utilized to meet unexpected changes in orders. Also, commodity prices will be more prone to intensify in those industries experiencing unexpectedly strong orders, such as the paper, gypsum board, and plastic construction materials industries. Thus, inflation, overtime hours, and even imports may be more intensely utilized to offset the underutilization of inventories in the early stages of an economic rebound.

Also, the change in timing of inventory accumulation has altered the timing of interest rate pressures. Normally, inventories swing from liquidations to accumulations during the first year of an economic rebound. Early in the second year, inventory accumulations reach compatibility with prevailing production and sales and begin slowing their rate of accumulation. When the economy slows its rate of advance at that time, interest rates sometimes reach their lowest level during the cycle (interest rates are well known lagging indicators especially during the early phases of an economic rebound).

With accumulations growing more slowly relative to sales and production in the latter part of 1983, interest rates were experiencing less upward pressures than otherwise would have prevailed. (The fact that interest rates rose during the latter half of 1983 despite abnormally low inventory investments and unusually high gains in corporate cash flow probably is related to a significant acceleration in government borrowing during the latter half of that year.) Strong increases in inventory accumulation early in 1984 unquestionably account for a substantial portion of the dramatic surge in short-term borrowings at banks and in the commercial paper market. When inventory accumulations have attained desired levels, economic activity will slow significantly. Moreover, current interest rate levels are now sufficient to reduce housing activity. Thus, a portion of the current strength in inventory accumulations will be at the expense of construction spending late in 1984 and in 1985. However, the tapering in inventory investments and the reduction in housing should not be sufficient to reduce interest rates during the next year. Instead, strong growth in fixed investments coinciding with rising borrowing costs will preserve rapid loan expansion as corporations continue their investment programs. Higher returns to interest recipients will partially be converted into increased consumption, which should maintain reasonable economic expansion into 1985. However, this mix of economic activity should continue to exert upward pressures upon interest rates until a slowing in the growth of fixed investment develops or an abrupt change in consumer spending patterns leads to the inventory excesses that culminate in reduced production.

Quarterly Profile of GNP

	1984-I	1984-II	1984-III	1984-IV	1985-I	1985-II
Real	8.8	5.2	4.1	2.9	2.7	2.8
Price	3.7	4.6	5.1	5.6	6.2	6.2
Nominal	12.8	10.0	9.3	8.6	9.1	9.2

Monthly Statistical Highlights
for May 1984

Payroll employment +202,000; Index of Hours Worked unchanged; Household employment +241,000; Civiliam Unemployment Rate 7.7%; Personal Income +0.6%; Savings Rate 5.5%; Personal Consumption +0.9%; Retail Sales +1.4%; Auto Sales 10.5 million; Housing starts -9.8%; Housing Permits -2.1%; Construction expenditures +1.2%; Business inventories +0.8%; Orders for durable goods +1.0%;

Orders for nondefense capital goods +0.7%, Industrial production +0.7%; CPI +0.4%; PPI +0.2%; Consumption deflator +0.2%; Leading Indicators +0.2%; Real GNP 7.7%; M1 12.1%; M2 11.4%.

Monthly Statistical Highlights
for June 1984

Payroll employment +139,000; Index of Hours Worked +0.1%; Household employment +196,000; Civilian Unemployment Rate 7.7%; Personal Income +0.5%; Savings Rate 5.4%; Personal Consumption +0.6%; Retail Sales +0.4%; Auto Sales 10.5 million; Housing starts -0.1%; Housing Permits -3.1%; Construction expenditures +0.1%; Business inventories +1.1%; Orders for durable goods +2.8%; Orders for nondefense capital goods +2.4%, Industrial production +0.4%; CPI +0.4%; PPI +0.4%; Consumption deflator +0.5%; Leading Indicators +0.4%; Real GNP 1.5%; M1 7.6%; M2 11.5%.

Commentary

Employment - A 0.6 hours increase in the manufacturing workweek occurred in April. This expansion in hours reflects significant use of overtime to meet rising orders associated with a developing surge in inventory investments. Employment is expected to continue growing strongly in May as overtime is replaced by new hires. Even with little further gain projected for the Index of Hours Worked during the second quarter, that index is expected to increase 5.2% at annual rates. This coincides with our current projection of a 5.2% gain in real GNP, suggesting that little improvement in productivity developed during the spring. The Hourly Earnings Index accelerated in April, but most of the gain was in the service sector. This suggests that unit labor costs will be increasing by more than 5%, well above the 2% annual rate of gain during the winter. Unless our estimates for prices are too low, corporate profits will show little growth during this quarter. Any increased returns to capital will be fully utilized to pay increasing returns to interest rate recipients.

Personal Income and Outlays - Farm income fell by $15 billion in April as PIK disbursements declined. Thus, a modest advance in personal income during April hides a significant surge in national income. The wage and salary component increased by 1.2% and property income also grew at double-digit rates. Personal savings fell sharply, but this was almost totally attributed to the end of PIK transfers, which should not have had a material impact upon consumption. The savings rate fell to 5.5%, which is below the 6.0% post-war average. Sharp reductions in the market value of wealth and the possible heightening of uneasiness associated with rising interest rates should generate gradually rising savings rates as the year progresses.

Automobile sales continue to rebound sharply, although more rapid growth in sales than production could lead to some shortages in domestic vehicles by early summer. Imports initially will take up the sales slack, but they will be restrained early in 1985. A sharp decline in furniture orders during March was nearly reversed in April, but shipments currently are running ahead of orders in that household sector. This probably indicates that furniture sales are beginning to weaken. An acceleration in projected nondurable sales is associated with more rapid price changes for energy components than had originally been anticipated.

Construction - Single-family starts already are showing downward pressures from rising interest rates. A rebound in April merely reflects a snapback from weather-distorted activity in March. The trend in single-family starts clearly is downward. However, multi-family units continue to defy rational economic analysis. Despite developing signs of increased vacancies, especially in the South, rental units continue to increase their rate of construction activity. The 863,000 starts in April was a cyclical high. Weather factors probably bunched some activity in April, but there are not yet any signs that construction of rental property is beginning to decline under the pressures of rising interest rates. At some point, investment syndicators will begin withdrawing from the rental market. When that occurs, a more dramatic decline in housing starts is possible than that which is currently being projected.

Because of the strength in rental activity, spending for residential construction is expected to continue rising through May, before a downturn gradually develops. Nonresidential construction will largely offset this declining pattern in the residential market. Increased construction for highways will significantly raise the volume of public construction as the year progresses. Despite some termination in nuclear power facilities, private nonresidential construction is expected to continue growing rapidly. Industrial space will be contributing most to the rate of advance while commercial space other than office buildings must slow from the 50% rate of advance that has been achieved in the past year. Office space is expected to continue growing despite evidence that many cities are beginning to overbuild. By the beginning of 1985, all commercial construction should no longer exhibit growth after adjustment for inflation. However, continuing expansion in industrial projects should be sufficient to generate continued strong growth in nonresidential private construction.

Because of shortages for some construction materials, the implicit construction deflator began accelerating in March. According to PPI estimates, further strong price gains are likely in April. However, declining lumber prices and only modest increases in prices for structural steel should prevent a surge in construction costs. Nevertheless, some acceleration in construction inflation rates is anticipated during the next year.

Business Activity - A sharp decline in durable goods orders during April was largely related to a drop in defense orders from $11.54 billion in March to $6.87 billion in April. However, durable orders would have declined even if the volatile defense category had been eliminated. Weakness occurred in orders for nondefense capital goods. A corresponding decline in both shipments and orders suggests that the advance survey overlooked some data sources. A significant upward revision is anticipated for durable goods orders and for nondefense orders and shipments, although no adjustments were made in the projections tables. Orders for nondefense capital goods are expected to reaccelerate late in 1984 as capacity utilization slowly moves toward 83%.

Manufacturing inventories now are growing much more rapidly than earlier in the recovery. As a result, manufacturing inventory holdings have been substantially increased. Changes in business inventories are not as dramatic, as the wholesaler never altered inventory patterns from previous behavior. However, more rapid growth in retail inventories still could develop, leading to more significant near-term economic activity than currently projected. However, such a surge in retail inventory holdings would lead to further near-term increases in interest rates and a more substantial slowing in the interest-sensitive components of the economy during 1985.

Prices - Although the CPI expanded by 0.5% in April, components of the PPI suggest, on the surface, that inflation remains well contained. Moreover, declining food prices are expected to restrain the CPI and the PPI in May. However, sharp price increases for nonenergy nonfood crude materials and sharp increases in prices of some intermediate materials suggest that inflationary pressures are beginning to intensify. Utilization rates are not yet at the level that would significantly incite demand-oriented inflation. Moreover, wages are not yet showing any significant accleration. Nevertheless, price pressures appear to be building. Moreover, prices of services are beginning to intensify. Usually, consumer prices continue to slide into the second year of an economic rebound because the heavily wage-oriented service components continue to recede. However, price increases for utilities, housing, and the financing of automobile purchases suggest that the deceleration in service inflation has passed.

Miscellaneous - Declines in agricultural commodity prices and a slowing in the rate of inflation of energy materials during the second quarter account for a more modest rate of growth in the IVA in that quarter than earlier in the year. Most of the expansion in GNP during the first quarter occurred in January. Normally, this would mean that the second quarter would be growing very slowly. However, a renewed surge in inventory rebuilding during April indicates that activity will continue spurting forward into the summer.

Financial Markets

A sharp widening of the gap between commercial paper and 90-day CDs reflects the current reduction of confidence in the banking community. This significant premium required to raise funds is expected to gradually recede. However, a reduced spread between CDs and the prime rate indicates that any firming in rates on Federal funds will almost immediately create a prime rate move to 13%. It should also be noted that the commercial paper rate has again begun to trade above the Federal funds rate, suggesting that loan demand rather than Federal Reserve restraint may be responsible for the latest upsurge in interest rates. In fact, the Federal Reserve has significantly eased restraints by allowing liberal use of the discount window to counter the loss of foreign deposits by several money center banks. As CDs are becoming an expensive source of money, banks may begin liquidating their Treasury bill holdings. Indeed, the T-bill rate could move toward the rate on Federal funds if the current strength in loan demand does not diminish.

A sharp decline in the money multiplier in March and April suggests that seasonal distortions are indeed influencing the measurement of deposits. These distortions are expected to begin reversing in May and June. This largely explains the surge in the money stock at that time. It also explains one reason why rapid money growth and rapid increases in interest rates can develop simultaneously. The Federal Reserve is expected to remain accommodative until pressures on bank deposits have diminished. Therefore, no substantial increases are expected from current levels for most short-term interest rates until the fall. At that time, some moderation in inventory investment may continue to preserve relatively stable interest rates into the early months of 1985. Accelerating inflationary pressures, an end to concerns about the election, and increased corporate borrowings should place further upward pressures upon interest rates by the spring of 1985.

Equity Markets

As mentioned above, operating profits minus tax liabilities should show little increase during the spring. A reduction in the inventory valuation adjustment will lower the effective tax on operating profits, but that influence should be only sufficient to offset the increased payments to interest recipients and the increased wage bill relative to revenue being generated currently in the corporate sector. Under such conditions, rising interest rates during the spring should have coincided with declining equity values. However, the magnitude of decline in the market value of equities exceeds the decline in the discounted value of corporate earnings. Apparently, the stock market is looking ahead to even further erosion in profitability and further increases in interest rates. They will be forthcoming, but not until 1985. If interest rates stabilize during the summer, as our analysis currently assumes, equity values could rebound significantly. Currently, the stock market is evaluating equity ownership about 100 points below what our methodology normally would estimate. Therefore, a stock market rally in the summer months cannot be ruled out. However, equity values are not expected to regain previous peaks and may even be hard pressed to exceed 1200 on the Dow Jones. Equity values then would again decline early in 1985 as corporate liquidity becomes stretched and as interest rates once again are expected to rise. Currently, the peak in interest rates is expected to occur beyond the first half of 1985.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings Index	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1984	91930	91930	110.1	110.1	103190	103190	8.0	8.0	158.3	158.3
February	92347	92347	110.4	110.4	103892	103892	7.8	7.8	158.2	158.2
March	92490	92506	109.8	109.9	104140	104140	7.8	7.8	158.7	158.8
April	92773	92913	110.4	111.5	104503	104402	7.7	7.8	159.5	159.6
May	92885	93117*	110.7	111.5*	104667	104643*	7.6	7.7*	160.1	160.2*
June	92996	93256	110.9	111.6	104832	104818	7.6	7.7	160.8	160.9
July	93127	93415	111.1	111.8	104949	105012	7.6	7.7	161.4	161.6
August	93362	93578	111.3	111.9	105172	105207	7.5	7.7	161.9	162.3
September	93598	93745	111.5	112.1	105394	105406	7.5	7.6	162.5	163.1
October	93742	93913	111.7	112.2	105547	105612	7.4	7.5	163.1	163.9
November	93865	94075	111.9	112.4	105678	105819	7.4	7.5	163.8	164.7
December	94015	94242	112.0	112.6	105839	106053	7.4	7.4	164.6	165.6
January 1985	94226	94405	112.3	112.9	106091	106334	7.4	7.3	165.2	166.2
February	94389	94589	112.5	113.1	106311	106500	7.4	7.3	166.0	167.0
March	94543	94802	112.8	113.3	106537	106807	7.3	7.2	166.8	167.8
April	94698	94935	113.0	113.4	106703	106989	7.3	7.2	167.5	168.6
May	94843	95019	113.1	113.5	106873	107160	7.2	7.2	168.3	169.5
June	95002	95183	113.3	113.6	107048	107340	7.2	7.1	169.3	170.3

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1984	2.902	2.907	1.748	1.749	118.9	117.2	2.483	2.487	2.364	2.370
February	2.923	2.927	1.757	1.757	152.6	158.5	2.501	2.506	2.349	2.347
March	2.949	2.942	1.764	1.763	188.4	163.1	2.526	2.519	2.337	2.356
April	2.955	2.957	1.777	1.784	157.5	146.9	2.534	2.529	2.376	2.382
May	2.965	2.976*	1.785	1.791*	145.8	139.5*	2.539	2.544*	2.393	2.405*
June	2.974	2.992	1.797	1.800	136.1	137.3	2.545	2.556	2.409	2.419
July	2.999	3.011	1.806	1.812	137.3	136.8	2.564	2.574	2.427	2.437
August	3.025	3.036	1.816	1.821	143.7	139.6	2.584	2.593	2.440	2.453
September	3.051	3.065	1.825	1.833	149.2	145.1	2.605	2.616	2.455	2.471
October	3.068	3.083	1.835	1.844	148.3	141.7	2.619	2.631	2.471	2.489
November	3.085	3.101	1.846	1.856	142.6	137.9	2.632	2.645	2.489	2.507
December	3.101	3.120	1.857	1.870	139.3	136.4	2.644	2.659	2.507	2.523
January 1985	3.122	3.142	1.871	1.885	137.1	142.2	2.664	2.680	2.527	2.538
February	3.149	3.170	1.883	1.898	143.7	147.7	2.686	2.703	2.543	2.555
March	3.174	3.192	1.898	1.910	154.5	152.8	2.708	2.723	2.555	2.570
April	3.198	3.216	1.909	1.921	156.6	155.2	2.730	2.745	2.573	2.590
May	3.217	3.237	1.919	1.933	152.7	152.5	2.745	2.761	2.592	2.609
June	3.240	3.258	1.932	1.944	154.5	153.3	2.764	2.779	2.611	2.626

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CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1984	2294.7	2301.3	322.4	322.1	850.0	852.5	1122.3	1126.6	1053.9	1057.4
February	2278.6	2277.0	314.3	312.1	842.2	839.6	1122.0	1124.7	1047.2	1046.2
March	2268.3	2285.1	294.2	309.9	841.0	837.8	1133.1	1137.4	1039.3	1045.1
April	2305.4	2310.9	311.0	314.1	848.8	851.5	1145.6	1145.3	1052.8	1054.7*
May	2321.5	2332.7*	312.1	322.5*	854.5	857.6*	1154.9	1152.6*	1055.1	1062.1
June	2336.9	2346.^	313.0	322.7	860.0	862.8	1163.9	1160.5	1057.2	1063.3
July	2354.2	2363.2	315.6	324.9	866.0	869.5	1172.6	1168.8	1060.6	1065.9
August	2366.8	2378.6	317.6	325.1	868.1	876.6	1181.1	1176.9	1061.9	1068.0
September	2379.8	2395.3	319.7	327.3	870.8	882.3	1189.3	1185.7	1062.4	1070.6
October	2396.3	2413.0	321.6	328.5	877.3	889.1	1197.4	1195.4	1065.8	1073.2
November	2413.2	2430.1	323.4	330.3	883.2	895.5	1206.6	1204.3	1069.5	1076.0
December	2429.7	2444.5	325.3	330.2	888.9	901.5	1215.5	1212.8	1071.6	1077.3
January 1985	2449.0	2459.4	329.4	331.2	895.0	907.3	1224.6	1220.9	1075.5	1078.8
February	2464.7	2475.6	332.1	333.8	898.5	912.5	1234.1	1229.3	1079.4	1080.9
March	2476.4	2490.8	330.0	333.7	902.9	918.3	1243.5	1238.8	1079.5	1082.2
April	2493.7	2510.1	332.6	336.0	908.4	926.1	1252.7	1248.0	1082.3	1085.8
May	2511.6	2527.9	334.7	337.8	915.6	931.2	1261.3	1258.9	1085.5	1088.1
June	2529.8	2543.9	338.4	339.5	921.5	936.9	1269.9	1267.5	1088.7	1090.0

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1984	106.16	106.60	14.42	15.09	11.2	11.2	69.85	69.48	21.89	22.03
February	105.98	105.48	14.62	14.93	10.6	10.6	69.31	68.57	22.05	21.98
March	103.40	103.38	14.82	14.56	10.0	10.0	68.15	68.43	20.43	20.38
April	105.69	106.38	14.69	15.06	10.3	10.1	69.50	69.63	21.50	21.69
May	106.27	107.87*	14.63	15.23*	10.4	10.5*	69.97	70.14*	21.67	22.50*
June	106.87	108.32	14.60	15.29	10.5	10.5	70.42	70.56	21.85	22.47
July	107.67	109.12	14.73	15.33	10.6	10.6	70.89	71.11	22.05	22.68
August	108.06	109.73	14.81	15.39	10.6	10.6	71.05	71.69	22.20	22.65
September	108.54	110.45	14.89	15.46	10.5	10.7	71.29	72.16	22.36	22.83
October	109.36	111.15	14.96	15.52	10.6	10.7	71.86	72.71	22.54	22.92
November	110.06	111.88	15.04	15.60	10.6	10.7	72.35	73.24	22.67	23.04
December	110.76	112.36	15.12	15.58	10.6	10.7	72.81	73.73	22.80	23.05
January 1985	111.72	112.95	15.20	15.64	10.8	10.7	73.26	74.20	23.26	23.11
February	112.32	113.69	15.28	15.71	10.9	10.8	73.55	74.63	23.49	23.35
March	112.44	114.14	15.36	15.77	10.7	10.7	73.91	75.10	23.17	23.27
April	113.17	115.05	15.45	15.85	10.7	10.8	74.36	75.74	23.36	23.46
May	114.00	115.68	15.54	15.94	10.7	10.8	74.95	76.16	23.51	23.58
June	114.92	116.34	15.63	16.02	10.8	10.8	75.43	76.62	23.86	23.70

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BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1984	260.6	260.9	99.22	99.44	24.64	25.09	23.93	24.09
February	263.8	264.1	101.83	102.35	26.84	27.02	24.05	24.16
March	265.4	267.2	103.45	104.85	25.88	26.86	24.26	25.24
April	267.9	270.5*	100.86	98.12	25.52	25.56	24.32	24.65
May	269.2	273.3	101.25	99.15*	25.65	25.73*	24.55	25.13*
June	270.6	276.0	102.67	101.93	26.02	26.36	24.78	25.54
July	272.8	278.7	103.15	102.92	26.21	26.59	25.10	25.77
August	274.9	280.9	103.18	104.83	26.39	26.88	25.27	26.07
September	276.6	283.4	105.68	105.55	26.86	27.12	25.43	26.41
October	278.6	285.9	106.12	103.29	27.15	27.10	25.65	26.68
November	281.1	288.3	107.28	105.15	27.49	27.38	25.86	26.89
December	283.3	290.8	105.63	106.68	27.18	27.55	26.12	27.06
January 1985	286.1	292.9	105.49	108.43	27.26	28.12	26.41	27.28
February	288.5	295.0	106.26	109.11	27.55	28.49	26.56	27.60
March	290.4	297.1	107.15	111.63	27.65	29.02	26.79	27.88
April	292.7	300.0	109.24	111.55	27.92	29.16	26.95	28.10
May	295.6	303.2	108.55	111.02	27.86	29.05	27.15	28.48
June	298.0	305.9	109.03	112.86	27.99	29.48	27.36	28.74

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1984	517.8	518.8	5.64	5.72	158.1	158.5	79.9	80.1
February	527.0	527.2	5.82	5.85	159.9	160.1	80.7	80.8
March	531.1	531.9	5.95	5.37	161.1	160.9	81.2	81.0
April	536.9	537.2*	6.01	6.07	161.2	163.1	81.1	81.9
May	541.2	541.5	6.05	6.11*	161.5	164.2*	81.2	82.3*
June	546.4	547.5	6.09	6.21	161.8	164.9	81.2	82.5
July	552.7	552.9	6.27	6.30	162.2	165.4	81.3	82.6
August	557.8	557.9	6.32	6.38	162.7	165.8	81.4	82.6
September	562.1	562.9	6.38	6.53	163.3	166.2	81.5	82.6
October	567.5	568.2	6.49	6.48	163.6	166.5	81.6	82.6
November	573.2	572.9	6.63	6.62	163.9	167.0	81.6	82.7
December	578.0	578.7	6.78	6.79	164.3	167.8	81.7	82.9
January 1985	584.6	584.2	6.87	6.93	165.0	168.3	81.9	83.0
February	589.4	588.9	6.96	7.02	165.7	168.6	82.1	83.0
March	593.8	593.7	7.05	7.11	166.4	169.1	82.3	83.1
April	599.2	598.9	7.24	7.28	166.9	169.4	82.5	83.1
May	604.7	606.6	7.36	7.35	167.3	169.9	82.6	83.2
June	610.0	611.4	7.49	7.51	167.5	170.2	82.6	83.1

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CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1984	1.915	1.980	1.241	1.301	1.770	1.817	276.0	275.7	172.6	172.4
February	2.197	2.231	1.360	1.447	1.941	1.946	295.0	292.0	184.0	182.2
March	1.738	1.645	1.173	1.023	1.700	1.728	288.3	295.6	179.1	183.1
April	1.908	1.963	1.205	1.100	1.715	1.725	292.8	300.2*	181.4	184.9*
May	1.766	1.770*	1.148	1.040*	1.616	1.688*	291.4	303.9	180.2	186.2
June	1.705	1.767	1.102	1.056	1.586	1.635	290.0	304.1	178.9	185.5
July	1.758	1.756	1.115	1.032	1.595	1.602	293.3	304.1	180.4	185.4
August	1.706	1.721	1.078	1.007	1.562	1.597	296.1	307.8	181.5	187.2
September	1.666	1.687	1.037	0.986	1.483	1.582	298.5	308.9	182.5	187.3
October	1.659	1.675	1.039	0.981	1.497	1.553	298.8	310.0	182.2	187.5
November	1.675	1.653	1.045	0.965	1.516	1.528	299.0	310.2	182.0	186.9
December	1.669	1.649	1.043	0.943	1.522	1.509	299.4	311.1	181.8	186.5
January 1985	1.666	1.608	1.026	0.927	1.516	1.448	301.6	311.5	182.3	185.9
February	1.649	1.552	1.001	0.889	1.486	1.441	303.9	311.6	182.9	185.0
March	1.632	1.519	0.977	0.885	1.485	1.406	306.3	311.9	183.4	184.2
April	1.622	1.483	0.992	0.862	1.467	1.332	307.4	310.5	183.4	182.5
May	1.589	1.484	0.969	0.873	1.426	1.335	308.5	309.4	183.3	181.0
June	1.578	1.505	0.953	0.878	1.417	1.342	309.8	309.6	183.2	180.4

	Private Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1984	108.3	108.1	50.7	50.7	117.0	116.9
February	114.3	110.9	52.2	52.8	128.5	128.3
March	111.6	111.6	51.5	52.0	125.2	131.9
April	113.2	113.5*	53.0	53.6*	126.6	133.1*
May	113.5	114.3	53.4	54.3	124.5	135.3
June	113.7	115.2	53.9	54.9	122.4	134.0
July	115.8	116.5	54.7	55.4	122.8	132.2
August	117.7	117.9	55.5	55.9	122.9	134.0
September	119.7	119.4	56.3	56.3	122.5	133.2
October	120.6	120.8	56.6	56.9	121.6	132.3
November	121.4	122.1	56.9	57.3	120.7	130.8
December	122.3	123.6	57.2	57.8	119.9	129.7
January 1985	123.8	124.8	57.5	58.2	120.3	128.5
February	125.3	125.8	57.8	58.5	120.8	127.3
March	126.7	127.5	58.0	59.0	121.6	125.4
April	127.9	128.7	58.6	59.2	120.9	122.6
May	129.0	130.0	59.1	59.5	120.3	119.9
June	130.1	131.2	59.7	59.9	120.0	118.5

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1984	305.8	305.8	289.1	289.1	319.2	319.2	220.87	220.47
February	306.9	306.9	290.2	290.2	320.4	320.4	220.24	220.03
March	307.4	307.6	291.5	291.6	321.9	322.1	221.08	221.07
April	308.6	309.1	292.3	291.7	322.9	322.4	222.23	222.31
May	309.9	310.4*	293.1	292.3*	324.0	323.4*	223.29	222.92
June	311.2	311.6	294.0	293.5	325.1	325.0	224.35	223.82
July	312.7	313.2	295.7	295.0	326.5	326.9	225.33	224.85
August	314.2	314.6	297.3	296.6	327.9	328.9	226.19	225.77
September	315.6	316.0	299.0	298.0	329.2	330.1	227.23	226.78
October	317.1	317.6	300.4	299.6	331.3	332.4	228.14	227.85
November	318.7	319.0	301.7	300.8	332.4	333.6	228.95	228.89
December	320.3	320.6	303.0	302.3	333.6	334.8	230.03	230.01
January 1985	321.7	322.2	304.5	303.8	335.0	336.4	231.53	231.22
February	323.1	323.6	306.0	305.2	336.4	338.0	232.21	232.36
March	324.6	325.3	307.5	306.9	338.1	339.8	233.28	233.56
April	325.9	326.7	308.6	308.4	339.3	341.4	234.38	234.70
May	327.2	328.3	309.7	309.9	340.4	342.9	235.40	235.94
June	328.5	329.9	310.9	311.6	341.5	344.5	236.45	237.04

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
January 1984	217.7	217.6	181.6	181.2	218.0	217.9	230.7	230.6	159.9	159.9
February	217.6	217.6	180.5	181.1	217.2	217.1	231.2	231.1	160.3	160.3
March	218.3	218.7	179.4	181.0	217.6	218.0	231.8	232.3	161.0	161.4
April	219.0	219.1*	180.9	181.3*	218.1	217.8*	233.0	233.5*	161.4	162.4*
May	220.0	219.6	181.6	182.4	218.9	217.7	234.3	234.6	161.7	163.2
June	221.0	220.6	182.2	183.3	219.7	218.5	235.6	235.7	162.1	163.9
July	222.0	221.7	182.7	184.0	220.9	219.6	236.5	236.9	162.6	164.0
August	222.9	222.7	183.2	184.6	222.0	220.6	237.4	238.0	163.1	164.4
September	224.0	223.7	183.8	185.2	223.3	221.7	238.6	239.1	163.6	164.9
October	224.8	224.8	184.4	185.9	223.9	222.8	239.7	240.3	164.0	165.3
November	225.6	225.8	185.0	186.4	224.5	223.8	240.7	241.5	164.3	166.0
December	226.7	226.9	185.6	187.0	225.2	224.8	241.8	242.7	164.7	166.8
January 1985	227.7	228.0	186.3	187.6	226.0	225.9	242.9	243.9	165.4	167.6
February	228.3	229.0	187.0	188.2	226.9	227.1	244.0	245.0	166.2	168.4
March	229.4	230.2	187.7	188.8	227.8	228.3	245.1	246.2	167.0	169.3
April	230.4	231.2	188.3	189.4	228.8	229.4	246.3	247.3	167.6	170.1
May	231.4	232.3	188.8	190.1	229.7	230.5	247.5	248.6	168.3	170.9
June	232.4	233.4	189.4	190.8	230.6	231.5	248.8	249.8	169.1	171.6

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